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## MARKET SUMMARY

**GENERAL**  
Prior to announce prison reforms

**BUSINESS**  
BL threat to lay off 10,000 this week

Mr James Prior, the Northern Ireland Secretary, will announce significant prison reforms this week in response to the ending of the seven-month-old strike at the Maze prison near Belfast.

Mr Prior and Lord Gower, the Minister of State in charge of Northern Ireland prisons, flew to Belfast to consult officials about the improvements, which will apply to all prisoners in the Province. Mrs Margaret Thatcher, in Canberra, said she was "delighted" with the news. **Back Page**

**Foot speaks out**  
Mr Michael Foot, Labour Party leader, highlighted the party's difficulties over potential election manifesto policies by supporting unilateralist defence policies and withdrawal from the EEC without a referendum. **Back Page**

**Polish price crisis**  
Poland's Finance Minister Marian Krzak rushed to Gdansk after Solidarity leader Lech Walesa demanded the government suspend steep price increases on tobacco and other goods. **Page 2**

**Kurdish defeat**  
Kurdish guerrilla stronghold, Bikan, was retaken from the autonomy seeking guerrillas after six hours of intense fighting. Iran's state radio reported. Iraq reported that its forces shot down two Iranian fighters near Khorramshahr.

**Mharabine leads**  
Rejectionism all Khameini appeared to have won 14.8m votes of the 15.2m counted in Iran's general election. No other candidate topped 250,000.

**Dallas body check**  
Lee Harvey Oswald's grave in Dallas was opened and an autopsy began after a deal between his relatives and British author Michael Edgworth, who wants to prove the body is that of a Soviet spy.

**Anti-Nato demo**  
Police fired tear gas and rubber bullets to disperse 12,000 left-wing supporters who marched through Madrid to protest against Spain's proposed membership of Nato.

**'Life' for ex-Nazi**  
Kurt Jaeger, 69, a former Nazi, was jailed for life and stripped of civil rights by an East German court for war crimes.

**Isle rate threat**  
The Isle of Wight is threatening to leave the Association of County Councils unless there is agreement to fight the Government's legislation to curb rate increases. **Page 5**

**Brokers' walk**  
A "city walk" organised by London insurance brokers and employees helped raise £6,000 for disabled servicemen and women.

**Gold River's Arc**  
Gold River, ridden by Australian Gary Moore, won the Prix de l'Arc de Triomphe at 5/1 at Longchamp, Paris, beating French Derby winner Bikala. **Page 10**

**Erfectly...**  
Ex-Rolling Stones guitarist Mick Taylor is taking legal action against the band for alleged unpaid royalties.

**Footballer died**  
A footballer died eight days after being struck by lightning during a soccer game.

**LABOUR**  
SCOTLAND'S Strathclyde area is losing an average 137 jobs a day. **Page 5**

CIVIL SERVICE union which is the UK's second biggest has suggested that the nine unions in the service unite in a 21 per cent pay claim this year.

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## French franc drops in major EMS currency realignment

BY JOHN WYLES IN BRUSSELS

EEC FINANCE Ministers last night agreed on a major realignment of the currencies in the European Monetary system.

After a long, four day debate, during which the French threatened to impose import controls and the Belgian caretaker Finance Minister claimed he did not have a mandate to adjust the value of the Belgian franc, a package was approved which effectively devalued the French franc against the D-mark by 8.5 per cent.

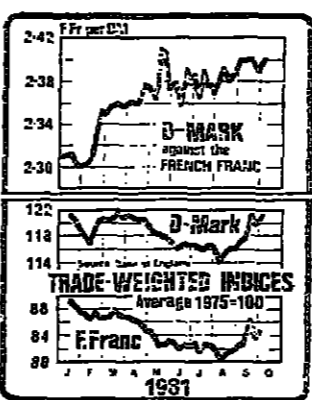
The D-mark and the Dutch guilder will be revalued this morning by 5.5 per cent, while the French franc and the Italian lira will be devalued by 3 per cent.

The central rates for the Belgian franc, the Irish punt and the Danish krona will remain unchanged, which means they have been effectively devalued by 5.5 per cent against the D-mark and the guilder and revalued by 3 per cent against the French franc and Italian lira.

A Herr Hans Matthöfer, the West German Finance Minister, observed last night, the changes reflect "the differing economic situations" of member countries.

M Jacques Delors, the French Finance Minister, had originally argued that a 9.5 per cent devaluation would be needed. Otherwise France might have to impose import controls.

His final readiness to abandon this threat and to compromise indicated how strongly Paris wanted an agreement which



might impress the foreign exchange markets and lift the pressure on the franc. According to the latest Bank of France figures, intervention to support the franc cost \$1.5bn in the week ending September 24.

M Delors last night said Paris would "complete" the realignment with new domestic measures to curb inflation, maintain purchasing power and limit unemployment. He implied that the revised currency rates were correcting an imbalance between the D-Mark and the franc which had existed since the EMS was launched in March 1979.

There was no change in the rate of the Belgian franc, the currency which has consistently been the weakest in the EMS. During discussions between senior officials in the EEC's monetary committee on Saturday, France proposed a Belgian

devaluation but the caretaker government in Brussels said it did not have the authority to take such a decision before general elections on November 8.

The Belgian Government reportedly put pressure on the Netherlands to avoid revaluing the guilder, as the Belgian franc and the Dutch currency have traditionally been closely linked. Last night's agreement marks an abrupt change of policy which could disrupt the substantial trade in agricultural products between the two countries.

Yesterday's negotiations resulted from a Franco-German initiative based partly on fears of speculative currency trading in the run-up to the meeting in Brussels on Wednesday and Thursday between President Mitterrand and Chancellor Schmidt of West Germany.

Several policies aimed to help the franc, including a move to limit the use of the franc in the run-up to the meeting in Washington, where they had feared their own intervention about the franc would be seen as an early sign of a fall in American value.

The realignment may well give West Germany some breathing space to reduce the domestic interest rate over the next few months, while the French Government clearly has the same hope.

In the meantime, this week's Mitterrand-Schmidt meeting may well be more smooth as a result of the realignment, because of the EMS currency crisis.

Continued on Back Page

## Regan says Fed should loosen monetary policy

BY DAVID BUCHAN IN WASHINGTON

THE WEAKENING U.S. economy is fast approaching the point where the Federal Reserve Board, the central bank, should start loosening its tight money policy if the next year, according to Mr Donald Regan, the Treasury Secretary.

Mr Regan issued this qualified advice to the Fed in an interview published yesterday, in which he stressed that he was not calling for an "easy money" policy.

A "sound and stable" monetary policy by the independent Fed has been a central theme of the Reagan Administration since it took office.

But Mr Regan made clear that the Administration's ambitious forecast of 5.2 per cent real growth in 1982, after three successive "flat" quarters from April to December this year, now depends on a shift in federal reserve policy.

In the past it has seemed that in recessionary periods, at least for a while, the Fed has held on too tightly to the monetary reins. Mr Regan told the Washington Post.

"What we are trying to do this time, and I know the Fed is as sensitive to this as I am, is to anticipate that and not stay in a low (money) supply mode any longer than is necessary in the downturn."

Prominent Wall Street analysts believe that the Fed may decide as early as this week's meeting of its Open Market Committee on a selective relaxation of its money supply policy. The evidence of the U.S.

economic slowdown is now widespread, ranging from renewed sectoral trouble in cars and housing, an August fall-off in new factory orders, to last month's rise in unemployment to 7.5 per cent. Mr Regan's description of the final three quarters of this year as "flat" may be an understatement.

Both Mr Regan and Mr Paul Volcker, chairman of the Federal Reserve, were subjected to a steady flow of foreign criticism during last week's annual meeting here of the International Monetary Fund and World Bank, over the high level of U.S. interest rates and the manifold problems this was causing abroad in terms of exchange rates and international debt payments.

Mr Regan said he was aware that the markets might react to an easing of Fed money policy not by lowering the cost of money, but by raising interest rates simply in the expectation of higher inflation. Mr Volcker is known to share precisely the same fear.

"The Fed's actions could be misinterpreted and that's the danger of their easing too quickly on money, or too much," Mr Regan said. "We wouldn't want that."

Nonetheless such sensitivity has not prevented the Administration from speaking out on the course it believes the U.S. central bank should be taking. U.S. economic policy under the Reagan Administration has been characterised by far freer public advice from both the executive and the central bank as to what each should be doing.

## Israel plans big increase in West Bank settlers

BY DAVID LENNON IN TEL AVIV

ISRAEL HAS drawn up a detailed plan to increase six-fold the number of Israelis living in the controversial Jewish settlements on the occupied West Bank of the Jordan. It aims to increase the settler population from 20,000 to 120,000 in four years.

This plan has yet to be publicly approved by the Government, but yesterday the Cabinet backed proposals from Mr Ariel Sharon, the Defence Minister, to replace army officers dealing with civil matters in the West Bank military government with Israeli civilians.

West Bank Palestinian leaders have denounced both these moves as further steps in what they claim is an Israeli plan to eventually annex all of the occupied territory. There are 750,000 Palestinians living on the West Bank. Another 450,000 live in the occupied Gaza Strip, for which no new plans have been announced.

The plans to increase the number of Israelis living on the West Bank have been drawn up by the settlement department of the Jewish Agency, apparently in co-

ordination with the Government. The emphasis is on expanding the 85 existing Jewish settlements on the West Bank, particularly those around Jerusalem and near the old border between the West Bank and Israel, but several new settlements will also be built.

Many Israelis wonder if the new settlement expansion scheme is realistic, given that in 12 years only 20,000 Jews have gone to live on the West Bank. But it is also pointed out that four years ago the head of the Jewish Agency Settlement Department, Mr Matityahu Drobless, said he would build 79 settlements in five years and actually added over 60 in four years.

The planned separation of the military and civilian administration on the West Bank does not mean that the Israeli military Government will be disbanded, according to Mr Arye Nave, the Cabinet Secretary.

The military Government will continue to rule the territory, but a separate civil civilian co-ordinator will probably be appointed under the

military governor, to oversee the civilians running the non-military departments such as Health, Agriculture, Education and Welfare. This new administration will begin to function from December 1, Mr Nave said. Criticism of the plan has come from Mr Abba Eban, the former Israeli Foreign Minister. It was a gimmick that dodged the real issues, he told the Jerusalem Post.

"It is a proposal that means replacing Israeli officials in uniform with those in open shirts, but it does not involve the Palestinians in running their affairs. Hence it is no change."

This view is shared by the Palestinian leaders on the West Bank, who say it is simply a device designed to create a false impression of movement in fact it brings no real change of their administration through Israel.

Meanwhile, the Prime Minister yesterday denied an Israeli radio report that the Prime Minister's office was to move to Arab East Jerusalem, which was occupied by Israel in 1967.

## Arbuthnot Latham set to name purchaser

BY JOHN MOORE

ARBUTHNOT LATHAM the merchant bank is expected to reveal today that it is to be acquired by the West European banking interests of the U.S.-based Dow Chemical group.

A news conference is to be held at noon at County Bank, the merchant banking arm of the National Westminster Group, and advisers to the purchaser.

On Friday, Arbuthnot Latham's shares were suspended at the request of Arbuthnot directors at the beginning of trading on the London stock market, following indications of speculative buying in the shares late on Thursday.

Against an overnight price of 280p, Arbuthnot's shares were suspended at 305p at the start of trading on Friday, valuing the group at £23.7m.

The Stock Exchange quotation department is understood to be studying the pre-suspension movements in Arbuthnot's share price as one of its routine investigations.

Mr Andrew Arbuthnot, chairman of Arbuthnot Latham, confirmed yesterday that the bank had received approaches from a number of groups. But what ever emerged would be in the

## Business prospects becoming gloomier

BY ANATOLE KALETSKY

BUSINESSMEN ARE becoming gloomier again about the prospects for an economic recovery.

There is no sign of a significant upturn in demand led by industrial stockbuilding, and the outlook for unemployment is still deteriorating.

There are indications, however, that profit margins may be improving—albeit still to unsatisfactory levels—and expectations about wage increases are moving steadily downwards.

These are the main findings of the Financial Times Business Opinion Survey for September, published today. Most of the questioning was done after the increase in bank base rates to 14 per cent, but before the recent rise to 16 per cent.

The results of the FT's monthly survey are very much in line with last week's gloomy Confederation of British Industry monthly survey of industrial trends.

### Expectations

They accord with the reassessment which has been going on in the stock market, where earlier expectations of a rapid improvement in company profitability have been downgraded.

The more sober mood in industry and the City, after the strong revival of confidence in the summer, has been one of the main factors behind the recent falls in the stock market.

Even during the summer, when industrial opinion surveys were showing marked improvements, some industrialists had been warning that investors were in danger of reading too much into the tentative signs of recovery.

There had been a marked improvement in the summer in the FT's index of business confidence about the general business situation, but in September it fell sharply from 18 per cent to 2 per cent.

The questions on costs and prices show that expectations about price inflation have remained unchanged since August—the median price increase expected over the next 12 months is 9.9 per cent, compared with 9.8 per cent in August.

But the median expected wage increase is now only 8.2 per cent, compared with 9.0 per cent in August and 10.3 per cent in June.

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## OVERSEAS NEWS

## Commonwealth leaders split over development

BY DAVID TONGE IN MELBOURNE AND PATRICIA NEWBY IN CANBERRA

WESTERN members of the Commonwealth split yesterday over how to tackle international development, one of the key items being discussed at the current Commonwealth Summit.

The split surfaced immediately after the release of an initiative designed to underpin their unity—a 16-point declaration calling on all countries "to join us in a commitment to taking prompt, practical and effective action" to tackle the problem of world development.

The so-called Melbourne Declaration commits the 41 countries at the Melbourne summit to revitalising the dialogue between developed and developing countries. But, within an hour of its release, Mr Robert Muldoon, Prime Minister of New Zealand, described it as "a pious declaration composed principally of platitudes."

The British also made clear that they had only grudgingly acquiesced in the declaration.

They believe that a ringing declaration runs the risk of raising false expectations at the coming North-South summit in Mexico. Seven of the leaders now back in Melbourne, are going on to Mexico later this month, and many countries had hoped their meeting here would help prepare for the Mexico Summit.

By dragging their heels, New Zealand and Britain have issued something of a snub to their host, Mr Malcolm Fraser, Prime Minister of Australia. The Melbourne declaration is largely his initiative.

Last night, he issued a brisk defence of the declaration insisting on its "one overriding purpose" which was to express forcefully the political commitment of countries to negotiation on development issues.

In the declaration, Commonwealth members accept the need for this commitment. They directly connect the tension and instability in the world to poverty and "the gross in-

equality of wealth."

They underline the need for real and significant changes, "the interdependence of the world, the larger moral political and strategic dimension of what is at stake," insisting this will affect how hundreds of millions will live or die.

Mr Muldoon, who has been a controversial figure throughout the meeting, criticised the declaration for not going far enough. In a characteristically vigorous speech, he attacked protectionism in industrialised countries, and said that perhaps the most important thing the declaration should have done was to take a clear stand against this.

The declaration, released by Mr Sridath Ramphal, Commonwealth Secretary-General, is deliberately vague in that the communiqué due at the end of the talks will deal in detail with issues such as food, energy, financial flows to developing countries, and trade.

## Long-term Seveso health fears discounted

By David Fishlock

NO LONG term damage to public health has been found since the accident at Seveso five years ago when a cloud of poison gas was released from an Italian chemical factory.

There is no evidence of any damage to unborn babies, and the abortion rate for the area contaminated has remained unchanged.

The medical evidence, drawn from 15 scientific papers arising from a five-year study of the contaminated area, is summarised in a leading article in *The Lancet*.

The accident occurred about 10 miles north of Milan, when a factory managed by Giavanda, a subsidiary of Hoffman La Roche, producing 2,4,5-trichlorophenol, released a quantity of TCDD.

TCDD, an intermediate in the process, is known to be highly toxic, but the total quantity released could not be determined.

The Italian authorities set up an international panel of toxicity experts known as the chloracne panel to advise on the toxicity of TCDD. They also organised long-term medical studies in Milan and Rome. Eleven municipalities of Seveso are embraced by the studies.

Chloracne, a particularly unsightly form of acne, was the only evidence found so far of poisoning after the accident.

But the effects on nearly 30,000 children studied, of nursery and school age, were very mild, says the journal. No signs of systemic toxicity were detected.

The chloracne tended to clear rapidly and new "has completely disappeared." No new cases have been reported for three years.

## Why the EMS is under pressure

BY ANATOLE KALETSKY

EVEN BEFORE the election of President François Mitterrand in France this summer, the main question about the future of the European Monetary System was when, not whether, a realignment of exchange rates would have to take place.

For even without the explicitly divergent philosophies about economic management introduced into the EMS by the launching of President Mitterrand's reflationary programme, the strain of keeping the D-Mark down to the level of the more inflation-prone European currencies had been building up steadily throughout the system's two-and-a-half-years of existence.

The fact that inflation rates in the EMS vary from 19.3 per cent in Italy and 13.5 per cent in France to Germany's 5.5 per cent has often been seen as evidence of the system's failure to produce the hoped-for convergence between the performance of Europe's main economies. However, it is also an indication of the system's robustness.

Since its establishment in March, 1979, largely on the initiative of President Giscard d'Estaing and Chancellor Helmut Schmidt, the EMS has kept all its member currencies moving closely together and has required only one major realignment of the central exchange rates in September, 1979.

Apart from this and two other devaluations, one in Italy and one in Denmark, which under EMS rules, have been made with the agreement of all the system's members, the continental currencies have been successfully constrained to move within the permitted fluctuation bands, which are 6 per cent for the lira and 2.25 per cent for all the other currencies.

The costs of this achievement have been twofold. The weaker more inflationary members have at times had to intervene massively to support their currencies. It is believed that Belgium has spent something like \$6bn of its foreign reserves on propping up the Belgian franc.

France is said to have spent around \$2bn on intervention in the past two weeks alone.

On the other hand, the task of defending parities has been made easier by the existence of the system, which obliges strong currency members to intervene in support of weaker currencies. The EMS also guarantees a limited pooling of reserves and provides other swap arrangements.

The second cost of EMS membership can be even more onerous. For intervention alone cannot be enough to hold up an exchange rate for more than a short period. To stay within the system, governments have had to make economic policy decisions which have often been painful for domestic reasons.

This is the main reason why British Governments have shunned membership.

The main penalty has been the need to maintain very high interest rates in the more inflationary countries, whose currencies would be under impossible strain against the low inflation D-Mark if it were not

for large capital inflows. The longer-term cost of maintaining an overvalued exchange rate by encouraging capital inflows is likely to be a deficit on current account and a domestic recession.

The weakening in competitive position of the more inflation-prone EMS members over the past two years is the fundamental reason why an EMS realignment was inevitable sooner or later. For the international currency markets have recently been reassessing the strength of the D-Mark relative to the dollar and pound and have been impressed by the improvement in Germany's underlying competitiveness.

The excellent trading prospects for Germany are not shared by other EMS members, which have suffered much more rapid inflation. That is why the current "flight from the dollar" by currency speculators is a flight into the D-Mark and not into the other EMS currencies and why these flows into the D-Mark were making EMS parties unsustainable.

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## Solidarity anger at price rises

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S Finance Minister, Mr Marian Krzak, rushed to Gdansk yesterday following protests from the Solidarity independent union against steep increases in the prices of tobacco and other goods.

Mr Lech Walesa, the union leader yesterday demanded that the Government suspend the increases, due to be introduced today, pending talks with the union.

The demand came after a storm of criticism at Solidarity's congress on Saturday night when delegates heard that the increases would double the cost of some items.

Mr Walesa has also demanded

the suspension of earlier price increases for fish and jam.

The row shows how difficult it will be to raise prices in Poland, although, in the past week, Solidarity delegates have applauded speakers who called for drastic changes in the relationship between supply and demand which would involve more painful price rises.

It is likely that radical delegates at the Solidarity congress will grasp the opportunity to push for resolutions calling for control over the economy to be taken out of the hands of the authorities.

The issue has also brought re-

newed criticism of the union leadership which knew of the increases but decided not to react to rises on non-basic goods such as cigarettes and alcohol.

Congress delegates earlier accepted a radical resolution on the newly passed self-management law which called for a ballot among union members on those sections which, according to the union, threatened the independent status of enterprises.

The resolution would also limit the plants in which the authorities could appoint management to the armaments industry, finance institutions and communications.

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## Realignment urgent for Bonn

BY ROGER BOYES IN BONN

REALIGNMENT of the EMS currencies has recently become a pressing necessity to Bonn.

West Germany does some 50 per cent of its trade with the European Community and the inflation differential between it and the other EMS countries has been contributing to the level of Bonn's imported inflation.

The D-Mark-French franc exchange rate has remained relatively stable since the establishment of the EMS in 1973. But over the same period, consumer prices in France have risen by about 25 per cent compared to only 12 per cent in West Germany.

A realignment of the D-Mark will clearly have an effect on Germany's exports to France

effect should not be so dramatic as to dash Bonn's hopes of export-led recovery.

Last year, Germany's trade surplus with France reached about DM 10bn (£2.1bn) with German exports rising by 17 per cent and French exports to Germany increasing by about 10 per cent.

Germany's exports to France are now growing at a slower rate than in the past, but a considerable impact on the French economy.

The political dimension of an EMS realignment is underlined by the fact that M. François Mitterrand, the French President, and Chancellor Helmut Schmidt are due to meet this week to discuss among other

things ways of bringing greater international currency stability.

The French have made clear that they are looking in the medium term for something more ambitious than a straightforward EMS realignment.

Chancellor Schmidt told a weekend rally of Social Democratic Party workers that, in combating unemployment, "nothing is more important than to bring interest rates to the level that they were 15 years ago."

Herr Karl Otto Poehl, Bundesbank governor, indicated in an interview published today, however, that "the room for manoeuvre is still too tight for a relaxation of interest rates."

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## Reagan's MX move under fire

By David Butler in Washington

PRESIDENT Reagan's decision to put MX missiles in fixed land sites was a step that would buy the U.S. little extra time against the menace of increasing Soviet nuclear weapons. It would thus reduce Washington's influence in nuclear arms reduction negotiations with the Kremlin, a leading Republican complained yesterday.

Senator John Tower, chairman of the Armed Services Committee, led a mounting barrage of criticism that the President had been "badly advised" in announcing as part of a \$180bn strategic nuclear armament that 100 MX missiles would be sited into existing ground silos and that a decision on longer-term MX development would be delayed until 1984.

Senator Tower, a leading hawk and a key holder of defence budget purse strings, directed his criticism at Mr Caspar Weinberger, the Secretary of Defense, who he said had ignored his own department's and the Services' best advice.

Mr Weinberger said yesterday that "political reaction" had focused too little on other elements of the nuclear package—resurrection of the B-1 bomber, the new D-5 missile for Trident submarines and improved nuclear system communications.

Thus, President Reagan was already engaged in a long and possibly losing battle to sell the sale of airborne warning and control system (AWACS) aircraft to Saudi Arabia through Congress, now faces the embarrassing prospect of clashing with the hawkish, right-wing of his own party over the nuclear programme. Opposition demonstrators can be guaranteed to join in the fray.

AP reports from Moscow: Mr Reagan's decision to expand the U.S. strategic nuclear force marks a new stage in the arms race, according to those who

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## UK halts Algerian gas intake after pricing row

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE BRITISH GAS Corporation has stopped buying Algerian gas (LNG) from Algeria after reaching a deadlock in negotiations for a new contract price.

The Corporation has thus rejoined the major international battle over the price of Algerian gas which stems from the country's efforts to raise the gas price to parity with crude.

France and Italy — two of Algeria's most important customers — are at the forefront of the battle.

British Gas has been buying relatively small amounts of Algerian gas — about 100m cubic feet a day — since 1964.

A 15-year contract with Sonatrach, the Algerian state oil and gas company, came to an end late last year and the two sides failed to reach agreement on a new long-term deal.

They did, however, patch up a nine-month interim agreement under which British Gas is believed to have paid \$4.80 for

per million British Thermal Units (BTU) for the first six months of this year, rising to \$4.90 from July 1.

These prices were, at the time, significantly higher than those paid by other Western customers, but they have since been surpassed by a long-term deal between Sonatrach and Distrigaz, the Belgian utility.

British Gas's interim agreement expired on September 30, and because the two sides have failed to agree on a new contract price the Corporation has stopped taking further Algerian supplies. British Gas yesterday refused to give details of the prices involved.

Since British Gas has a relatively minor role in the international dispute, its disagreement may not be settled until the Algerians first reach a solution with France and Italy.

The French are believed to be paying \$4.35 per million BTU for their gas, although the Algerians have been billing

them \$6.11. Both sides appear keen to reach a settlement before a visit to Algeria in November by President Mitterrand.

In a significant concession during the summer, Sonatrach is understood to have dropped its insistence that any rise in the price of LNG charged to France be backdated.

The dispute with Italy concerns the \$1.3bn trans-Mediterranean gas pipeline which is due to start operating later this month or in early November.

Algeria is trying to renegotiate the price formula for the pipeline's gas which it agreed to in 1977, aiming to link it more directly with oil prices.

There would be a three-year grace period.

The Italians, who are resisting strongly, say this would take the price far above that currently charged in Italy and would cancel out many of the economic benefits they hope to gain from the project.

## Iran and Romania in £550m barter deal

By Terry Povey in Tehran

IRAN AND Romania have agreed in principle to a barter deal involving oil and machinery that may well be worth more than \$1bn (£550m). A maximum period of two months has been set aside for finalising and signing the agreement.

The protocol signed on Friday between the two countries provides for Romania to buy a minimum of 4m tonnes (80,000 b/d) of crude oil in 1982.

On top of this, Romania will also buy some \$70m worth of non-oil goods, so bringing to over \$1.1bn the Romanian purchases from Iran. During 1980 Romania bought 2.1m tonnes of oil from Iran.

For its part, Iran is to buy 75,000 tractors, 50 locomotives (and to hire 30 more) and to employ Romanian experts and spare parts in its oil and gas industries.

The reconstruction of Iranian refineries and oil installations damaged in the Gulf war with Iraq, is specifically mentioned. Additionally, Iran will process 30,000 barrels per day of its own oil in Romanian refineries.

Payment for the deal will be by a mixture of barter and hard currencies. Some 50 per cent or more of the total exchanges involved will be covered by barter arrangements and the existing clearing account is to be developed and simplified to handle the expanded transactions.

Mr Mohammed-Taqi Banki, Iran's Plan and Budget Minister, said.

Given Romania's present shortage of foreign exchange, this agreement to expand exports on a barter basis for oil should be most welcome.

Last week, Romania asked Western banks to re-schedule its overseas debt due to its current payments difficulties.

The protocol between the two countries was negotiated last week by a high-level 22-member Romanian delegation led by the deputy Prime Minister, Mr Emiliano Dobrescu. It is being assumed in Tehran that the pricing formula within the barter element of the deal must in effect reduce Iran's crude oil price.

For Iran, barter deals have become a pressing matter as oil revenues have fallen and high levels of imports have reduced reserves to less than \$3bn.

## Mexico oil exports rebound

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO, now the world's fourth largest oil producer, whose exports were dramatically curtailed in the summer because of the oil glut, is bouncing back on the world market. Overseas oil deliveries, which plummeted in July to 456,000 barrels per day after 1m b/d in June, are now running at about 1.3m b/d.

Not only has Pemex, the State oil monopoly recovered its market, but it has also taken on new contracts, despite the continued glut. Contracts in hand now total some 1.8m b/d compared with 1.5m b/d in June.

The new contracts, including the supply of 110m barrels to the U.S. strategic petroleum reserve by August 1982, and 70,000 b/d to the UK, increasing to 140,000 b/d in 1982, raise the key question that Mexico will have to consider increasing production beyond the current 2.75m b/d platform in order to meet its commitments. Production is now about 2.5m b/d.

Raising production in Mexico, which was the first country in the world to nationalise its oil industry, is an extremely sensitive political issue.

Given the deteriorating state of the country's current account, which is expected to register a record deficit of between \$10bn and \$12bn this year, observers now believe that Mexico will probably turn up its valves.

In part, the worsening economic position has been caused by the sudden drop in oil revenue—Mexico's oil exports are now estimated at about \$14bn, a shortfall of some \$4bn, but less serious a drop than first envisaged in the nervous month of July.

By eating humble pie and some clever political manoeuvring, Mexico has managed to turn the situation around.

The country, which is not a member of Opec, also looks increasingly attractive as an oil

source in the light of increased political instability in the Middle East.

Mexico's position in June looked bleak. The Pemex head, Sr Jorge Diaz Serrano, was forced to resign after his decision to cut the benchmark price of Mexican crude by \$4 a barrel provoked a furious political storm.

Then, when his successor, Sr Julio Rodolfo Motezuma Cid,

Pemex will start to supply Italian state oil group subsidiary, Agip Petroli Spa, with crude oil at the rate of 60,000 b/d in 1982. Reuter reports from Rome. ENI made the statement after talks in Rome between Sig. Alberto Grandi, the ENI president and Sr Julio Rodolfo Motezuma Cid, the Pemex director-general. In 1980 Mexico supplied Italy with 0.6 per cent of its total crude imports.

tried to defy market forces by restoring the price by \$2, clients backed away from Mexican supplies.

The irony of the whole affair, greatly aggravated by Pemex overreacting, is that Sr Diaz Serrano had to leave his post for a mere ten cents.

The debacle is now known as the "billion dollar dime," since Pemex lost \$1bn in revenue in July, when clients backed off in the face of Pemex's \$2 rearguard action.

Mexico sold its oil in a 60/40 mixture of heavy offshore Maya oil and light onshore Isthmus oil, for \$30.60 in June, after the price was reduced by \$4.

That same mixture is now selling for \$30.70.

However, clients have won

another battle, since they are now getting a better 50/50 mix which sells at \$31.25.

Had that mixture been available in June it would have sold for exactly the same price.

Pemex used to insist that clients take a 60/40 mixture, but the goosy Maya crude is hard to crack in refineries and clients successfully protested.

At one stage, in April, clients were receiving on average a mixture of 87 per cent Maya heavy and 13 per cent Isthmus light. Mexico tried to dump the unpopular heavy oil on its customers instead of using it domestically.

The heavy oil comes from Mexico's massive offshore fields in the Bay of Campeche, which is now acknowledged to be the world's richest offshore area.

Significant deposits of light oil, however, have reportedly been found offshore, which would ease the Maya problem.

Japan, France and Canada, were particularly angry. France didn't take a single barrel of Mexican oil in July out of its contracted 100,000 b/d. It is now receiving about 50,000 b/d. Japan, which receives 100,000 b/d, is also interested in buying a further 200,000 b/d starting next year. But it has not yet committed itself and is unlikely to do so until it gets firm guarantees about the mixture.

Pemex has kept tightlipped about its contracts, other than to trumpet new deals. However, it has let it be known privately that its contracts currently stand at 1.5m b/d.

This would confirm the suspicion that many of the U.S. oil companies, who suspended their imports in July, have not cancelled their contracts but are holding them in abeyance.

In September shipments to the U.S. were about 670,000 b/d out of a total of 1.3m b/d. Of this 470,000 b/d was to the companies, and 200,000 b/d to the strategic reserve.

## Italians strengthen China ties

By James Buxton in Rome

ITALY believes it will be able to establish itself as an important trading partner with China following a visit by Sig. Nicola Capria, the Foreign Trade Minister.

The first meeting of the joint Italian-Chinese Committee, attended by Sig. Capria, has decided to activate the \$1bn credit line which Italy extended to China in 1979 and to go ahead with a number of projects.

Italian trade with China has been affected like that of other countries, by China's major retrenchment on its development programme and on signing contracts with other foreign countries. Only \$8m of the \$1bn in credit has so far been drawn and trade between the two countries totalled only 1,584m (\$28m) last year, with a deficit for Italy of 1,154m.

One of the casualties of the cutback in Peking has been progress on Fiat's offer to build plants to modernise the Chinese farm machinery and earth-moving equipment industry. A value of about \$600m was unofficially put on this project. Sig. Capria and the Chinese authorities have agreed to reopen talks on the subject.

Following Sig. Capria's visit a number of projects are to go ahead, including a pilot plant for processing hides and skins and a polyester fibre plant. Some 45 other schemes in such fields as textiles, pharmaceuticals, light engineering, and building materials are to be opened to the competition of Italian companies.

## Pernod drinks for the Russians

S.E.G.M., the company responsible for the export activities of Pernod Ricard, the leading group for spirits in Western Europe, has signed a contract for the export of a wide range of their products to the Soviet Union, our World Trade Staff reports. M. Rene-Julien Baudinet, President of S.E.G.M., a subsidiary company of Pernod Ricard, said the agreement calls for sales of 140,000 bottles of the Group's aniseed-based brands, plus Dubonnet, Bisquit Cognac, Bisquit Calvados, Casanier liqueurs, and various fruit drinks.

## Call for freer trade in services

BY OUR WORLD TRADE STAFF

THE INTERNATIONAL Chamber of Commerce today called on Governments to prepare multilateral negotiations on liberalisation of international trade in services.

The world business organisation-based in Paris said in a statement that extension of the General Agreement on Tariffs and Trade (GATT) to include trade in services would be the most effective way of achieving this objective.

Pending an overall multilateral agreement, the ICC said much could be achieved through a series of industry-specific negotiations. ICC officials said industries covered might well include insurance, construction engineering and transport.

Presenting the statement, Mr Hans Swedberg, of Sweden, chairman of the ICC's trade policy committee, said: "Liberalisation of trade in services would stimulate trade in both the service and the goods sectors, thus providing much needed growth, income and employment."

Mr Swedberg said total service receipts in international trade approached some \$400bn on a yearly basis. Among Organisation for Economic Co-operation and Development

(OECD) group of countries services exports accounted for about 20 per cent of total export income.

The ICC statement said government procurement and the rights of legal establishment and access to foreign markets were two specific issues that could be tackled immediately as a first stage in the progressive liberalisation of services trade.

The statement noted that an agreement designed to ensure that government procurement rules do not discriminate

against foreign products and suppliers was negotiated during the Tokyo Round trade negotiations and came into force last January.

At present, the agreement applied primarily to trade in goods, and services were included only to the extent that they were incidental to the supply of products and cost less than the products themselves.

The ICC said negotiations should start as soon as possible on the full inclusion of services on the agreement.

## World Economic Indicators

	INDUSTRIAL PRODUCTION				% change over previous year	Index base year
	Aug. '81	July '81	June '81	Aug. '80		
USA	152.8	153.4	152.9	141.8	+7.8	1967=100
UK	107.7	107.1	107.1	99.1	+7.8	1975=100
W. Germany	115.4	116.4	116.7	119.0	-2.9	1975=100
Italy	127.3	125.1	124.0	130.3	-2.3	1975=100
Japan	146.9	146.1	142.4	142.6	+3.0	1975=100
France	110.1	108.4	109.0	116.8	-5.7	1975=100
Netherlands	109.0	108.0	108.0	112.5	-3.1	1975=100
Belgium	119.7	113.6	110.2	118.4	+1.1	1975=100

Source (except U.S. & Japan): Eurostat

## SHIPPING REPORT

### Weak bulk freight rates outlook

BY ANDREW FISHER, SHIPPING CORRESPONDENT

DRY BULK freight rates are expected to remain weak for the rest of 1981 and early next year, according to brokers Lambert Brothers.

Demand for such tonnage over this period is likely to increase by 2 1/2 per cent at most against a rise in the available tonnage of at least 6 per cent and possibly as much as 9 per cent, Lambert said in its latest review.

It did say, however, that the outlook showed an improvement in 1982/83 and beyond. Economic activity should pick up with oil shipments also recovering.

But there could also be a wide-ranging increase in western use of metals compared with the exceptionally poor performance since 1978, said Lambert, quoting an assessment by Chase Econometrics.

One such positive influence would be the much publicised and already heavily discounted expansion in the steam coal trade," it said.

An average yearly rise of almost 20m tons of coal shipped over the next four years would call for some 16 or so Panamax—around 60,000 deadweight tons—bulk carriers of 11m dwt, it said.

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## UK NEWS

## Growing signs of Tory revolt against Thatcher

BY RICHARD EVANS, LOBBY EDITOR

SIGNS OF revolt within Conservative Party ranks over the Government's economic strategy are growing as ministers prepare for the Conservative Party conference at Blackpool next week. The protests could present Mrs Margaret Thatcher with the most serious challenge yet to her leadership.

The rise in bank interest rates, the expected increase in the mortgage rate and forecasts of continuing recession have combined to face the Prime Minister with a much more troubled party than she anticipated.

Mrs Thatcher had been hoping to present the image of a party united behind the reconstructed Cabinet. In contrast to a hopelessly-divided Labour Party and a Social Democratic/Liberal alliance with no effective alternative strategy.

But a rebel campaign, spearheaded by Mr Heath and Sir Ian Gilmour, the former deputy Foreign Secretary dismissed from the Cabinet three weeks ago, will play on the growing anxieties of the party faithful and attempt to force a change of economic policy. It could receive a sympathetic hearing from many small businessmen and homebuyers affected by the latest rise in interest rates.

Mr Heath, a persistent critic of the Government's policies, will renew his attack in a speech in Manchester tomorrow. He will follow this up at a conference fringe meeting and appear on television from Blackpool.

Sir Ian, who has warned the Government is "heading for the rocks" unless policies are changed, intends to unveil details of an alternative strategy with the intention of forcing Mrs Thatcher to accept that there is one.

Sir Geoffrey Rippon, MP for Hexham and a former Minister, also intends to return to the attack this week with a speech at Cambridge on Thursday. This will coincide with the publication of a pamphlet by 12 leading young Tory MPs calling for a major shift in economic direction.

The pamphlet, pointedly called *Changing Gear*, outlines the policies the group believes are necessary for winning the next election, including a degree of reflation and a rise in public sector borrowing.

Equally embarrassing, among the authors are Mr William Waldegrave, MP for Bristol West and a newly-appointed junior Education Minister, Mr Michael Ancram, chairman of the Scottish Tories and Mr Ian Lang, MP for Galloway and a newly appointed Government whip.

A number of back-bench "wets" are planning to meet before the conference to discuss tactics for reversing the Government's economic strategy, including abstaining or voting against the Government in Parliament, and the possibility of putting in a rival candidate to Mrs Thatcher for the leadership of the Tory Party next month.

There have been reports of considerable strain between senior officials in Lambeth and some members of the controlling Labour group.

Relationships have been described at times as stormy, although Mr Knight said yesterday he had always enjoyed good relationships with the senior staff.

The retirements were due to the officials wishing to leave rather than as a protest against him, he said.

Mr Halligan in particular has been seen as one of the most effective local authority finance officials in the country. He should have retired in 1980 but was asked to stay on until the 1982 London borough elections.

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## THE SDP CONFERENCE

## Jenkins welcomes the rank-and-file

BY JOHN HUNT

THE NEED for the SDP to maintain and strengthen its alliance with the Liberals was strongly emphasised by Mr Roy Jenkins when he opened the first day of the conference with a rallying cry to the rank-and-file of the new party.

Mr Jenkins, the former Labour Chancellor and one-time deputy leader of the Labour Party, also underlined the SDP's commitment to protecting the market economy.

In an authoritative keynote speech which earned him a standing ovation, he denounced the "sterile dogmatism" of the two major political parties.

He argued that moderates in the Labour Party had earned only a temporary respite at their conference in Brighton last week, and berated the Thatcher Government for the present state of the economy, which he blamed on two-and-a-half years of "doctrinaire and incompetent monetarism."

Turning to the immediate future, he said SDP members must put as much effort into helping the Liberal candidate at the forthcoming Croydon NW by-election as the "magnificent support" which the Liberals had given him in the Warrington contest.

The SDP's common approach and mutual goodwill to all newcomers had to be extended to its relationship with the Liberals: "With them we have an alliance of interests and a partnership of principle."

At the Liberal conference in Llandudno, this had been triumphantly underpinned and had moved towards being a "union of hearts."

Mr Jenkins continued: "Let us do nothing to tear it apart. Make no mistake, it is not possible for social democrats to

break the stultifying grip of the two oligarchical parties and fight the Liberals at the same time."

"It is unnecessary and to let it happen would be an act of frivolous, self-indulgent folly on both our parts. It would rejoice the hearts of Mrs Thatcher and Mr Foot and it would disappoint and disillusion millions of people."

All the polls showed that the country wanted the alliance with the Liberals: "We can be the next Government," he said.

Mr Jenkins put forward four groups of basic tenets which he said were neither soggy nor "all things to all men." The SDP now had a genuine momentum of its own.

These tenets are: A commitment to a fairer electoral system which will give proper representation to all major strands of opinion and

avoid political polarisation. An industrial policy to "end the futile frontier war between public and private sector." This would still respect the need to have service to the community at the same time as "the initiative, enterprise and profit-making essential to the vigorous functioning of a market economy."

The market economy could not do everything, but it was better than any centralised system. The SDP would also insist that a large part of the wealth created must be used to correct social injustice, help solve the problems of the cities and protect the environment.

A repudiation of excessive centralisation and the pursuit of bigness for the sake of bigness. Full acceptance of membership of NATO and a promise on the EEC that Britain would not "run out of Europe which after 10

years is beginning to give great benefits."

At home, the party was committed to racial equality. On the economic front, Mr Jenkins maintained that it was almost inconceivable that despite North Sea oil, Britain should have suffered the deepest recession of any major country since the 1930s.

The responsibility fell on the Tory Government, whose policies had shrunk the industrial base, strained the social fabric and made fear the dominant mood.

All of this had been to no purpose, for no mastery of inflation had been achieved or was likely to be achieved. Apart from massive unemployment, the Government's economic policy had increased the proportion of public expenditure and increased the total weight of taxation.

He said that even where the Liberal Party had been second to the Tories in previous elections, this should not mean that the SDP did not stand a chance which drew strong applause from Mr Michael Thomas, MP for Newcastle East and member of its steering committee.

Mr Thomas has warned publicly of the need to be careful about the terms of the alliance.

Mrs Shirley Williams said the SDP needs an alliance with the Liberals until well beyond the next general election.

She warned, however, that some Liberals shrank at the prospect of responsibility and feared the burden of Government.

Mrs Williams said it would be foolish and short-sighted to pretend the Social Democrats could do without the Liberals or vice versa.

We have to win hundreds of seats in the 1982 local elections. We have to win local and national by-elections in order to keep up the momentum set so magnificently by Roy Jenkins at Warrington and many candidates in local elections.

"We have to win the general election because every organisation and electoral battle up to them is only a battle in the war. The war requires not only a substantial alliance but a governing alliance."

"If we do not pretend to ourselves that the massive tasks in front of us will be able to be fought if we do not manage to hold together the Social Democrats and the Liberals — and well beyond the next general election."

Mrs Williams, introducing a debate on "A fresh start for Britain," the statement of principles drawn up by a joint working party of the SDP and Liberals, said the Liberals had much to contribute to the alliance.

But she went on: "The Liberals have not for 60 years been a party of Government, and among them are some who shrink at the prospect of responsibility, and who fear the heavy burdens of governing a country in as much trouble as our own."

We have to say to them that in the end, that is what politics is about. It is not about discussions in coffee houses, not about academic debates. It is in the end the responsibility of trying to save Britain from a fate to which all the parties have brought her very close.

"We do not and will not share every detail of policy with the Liberals. We are not the same party. We are not proposing a merger. There are differences in our traditions."

But we do share crucial objectives for the direction in which this country ought to go — change in the political system, reform of the constitution with the accent on decentralisation of power, making the mixed economy work and an absolute commitment to an international role."

Earlier, at a fringe meeting on the Strand Report and Third World Aid, Mrs Williams warned that Labour's commitment to take Britain out of the EEC was a "major pace of protectionism in the EEC."

Strong elements in Congress were already moving in the direction of "sharp protectionism," she said, and there was a danger that the prospect of a new wave of protectionism in the U.S. coupled with Britain, operating a "sleep economy" under Labour, would produce "bigger and bigger" policies on a scale which would gravely damage the Third World.

John Hunt



Which way now? The gang of four outside Perth's City Hall yesterday.

break the stultifying grip of the two oligarchical parties and fight the Liberals at the same time."

"It is unnecessary and to let it happen would be an act of frivolous, self-indulgent folly on both our parts. It would rejoice the hearts of Mrs Thatcher and Mr Foot and it would disappoint and disillusion millions of people."

All the polls showed that the country wanted the alliance with the Liberals: "We can be the next Government," he said.

Mr Jenkins put forward four groups of basic tenets which he said were neither soggy nor "all things to all men." The SDP now had a genuine momentum of its own.

These tenets are: A commitment to a fairer electoral system which will give proper representation to all major strands of opinion and

avoid political polarisation. An industrial policy to "end the futile frontier war between public and private sector." This would still respect the need to have service to the community at the same time as "the initiative, enterprise and profit-making essential to the vigorous functioning of a market economy."

The market economy could not do everything, but it was better than any centralised system. The SDP would also insist that a large part of the wealth created must be used to correct social injustice, help solve the problems of the cities and protect the environment.

A repudiation of excessive centralisation and the pursuit of bigness for the sake of bigness. Full acceptance of membership of NATO and a promise on the EEC that Britain would not "run out of Europe which after 10

years is beginning to give great benefits."

At home, the party was committed to racial equality. On the economic front, Mr Jenkins maintained that it was almost inconceivable that despite North Sea oil, Britain should have suffered the deepest recession of any major country since the 1930s.

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All of this had been to no purpose, for no mastery of inflation had been achieved or was likely to be achieved. Apart from massive unemployment, the Government's economic policy had increased the proportion of public expenditure and increased the total weight of taxation.

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John Hunt

## Top Lambeth officials ask to go

BY GARETH GRIFFITHS

THE chief executive and four senior officials of the London Borough of Lambeth have applied for early retirement.

The applications, which are expected to be approved today, will mean that the Labour-controlled South London council will lose half its top officials over three months.

Lambeth, the largest inner London authority, has had a turbulent political history in the past 18 months, although Mr Ted Knight, the leader, said yesterday the applications had nothing to do with the council's left-wing political attitudes.

The applications are under a scheme whereby council staff can retire at 50. Lambeth estimates the savings next year at £3m but expects a rise in spending for the rest of the current financial year to meet the retirement costs. The

money will come jointly from revenue and the authority's superannuation fund.

Mr Frank Dixon Ward, the chief executive, Mr Jack Halligan, the finance director, Mr Duncan Nicholson, the public services director, Mr John Handel, management services director and Mr David Krause, the construction services director, applied for early retirement on Friday.

Lambeth has received about 247 applications for early retirement among the 900 staff eligible. The senior officials' applications follow the departure of the housing and development services directors.

Council members said yesterday that the applications posed a serious threat to the effective running of the authority because of the large gap that

would be left in top management. The retirements would take effect from the end of next month.

Mr Halligan in particular has been seen as one of the most effective local authority finance officials in the country. He should have retired in 1980 but was asked to stay on until the 1982 London borough elections.

There have been reports of considerable strain between senior officials in Lambeth and some members of the controlling Labour group.

Relationships have been described at times as stormy, although Mr Knight said yesterday he had always enjoyed good relationships with the senior staff.

The retirements were due to the officials wishing to leave rather than as a protest against him, he said.

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## Owen calls for Ulster initiative

Financial Times Reporter

IT WOULD be tragic for the Government if it regards the ending of the Maze hunger strike as indicating that it can continue with the status quo, former Foreign Secretary, Dr David Owen, told a fringe meeting.

Northern Ireland's "appalling economic and social decay, and 'staggeringly high' unemployment would not be resolved with a political settlement."

He called for a "major political initiative," similar to that of Mr Edward Heath in the Sunningdale talks of 1973, and with the full commitment of the Government and the Prime Minister to negotiate the settlement.

Dr Owen said, a settlement would require imagination, decisiveness and a readiness to think afresh—and it could take a year or more before it won acceptance.

"It is vital that the framework for discussing a settlement involves the Irish Republic and that we use the fact that unlike 1973 we have now been members of the European Community for eight years," he said.

Within the wider framework of European political co-operation, Britain might be able to bridge the constitutional and political barriers between the North and South of Ireland.

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## Pressure from the floor for full membership poll to elect leader

BY IVOR OWEN

SDP MPs could find themselves saddled with someone in whom they did not have confidence.

Mr Marquand emphasised: "We have seen in the last few weeks and months just what that danger has done to the Labour Party. I don't want to see our party go down that road."

A roar of applause for Mr Mike Thomas, SDP MP for Newcastle East, who argued that the election of the Parliamentary leader should be conducted on a one-member one-vote basis left no doubt about the majority view in the conference hall.

He commented: "Maybe I am naive, but until the proposition was advanced in our steering committee I never assumed that we would do anything other than elect our leader by one-member one-vote."

"I thought we were about breaking the mould of Westminster politics," he declared. The distinctive feature of the SDP must be that it trusted its members and did not resort to sham democracy and the apparatus of block votes.

Of the seven speakers who joined in the debate on the issue, from the floor four spoke in favour of one-member one-vote, and three opted for the choice to be left with the party's MPs.

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## Cheers as Mabon attacks left

BY IVOR OWEN

A NEW onslaught by Labour's left-wing was forecast by Dr Dickson Mabon, MP for Greenock and Port Glasgow, who deflected to the SDP last week after voting for Mr Denis Healey in Labour's deputy leadership contest.

He scoffed at suggestions that events at Brighton had signalled the beginning of a major reverse for Mr Tony Benn and his supporters.

Dr Mabon was given a sustained ovation when he joined other former Labour MPs on the platform.

To cheers, he gave an assurance that none of the former Labour MPs who had joined the SDP had any intention of being deluded by what had happened at Brighton.

Dr Mabon hit out with particular severity at Mr Roy Hattersley, one of the leaders of the left, by implying that Dr Mabon would get a clear run as an alliance candidate in Greenock.

Mr Russell Johnston, the Liberal Party chairman in Scotland, responded by saying that such comments were "unhelpful," while the Young Liberals' chairman in Scotland, Mr Gordon Riddell, soured relations further by describing Dr

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# Call for joint Civil Service claim

By Philip Bassett, Labour Staff

LEADERS of Britain's second-largest Civil Service unions want the nine unions to make a joint claim for a 7½ per cent pay rise for 1982. The Government has already set a cash limit pay provision for the public services of 4 per cent.

The issue will be raised today at a meeting of the Council of Civil Service Unions, and tomorrow at the TUC's public services committee.

The TUC committee will also discuss attempts by unions in the local authorities to coordinate pay claims in a common attempt to break the 4 per cent limit.

College lecturers have decided to ignore the limit in formulating their pay claim.

The civil service unions are formulating this year's claim, and expect it to go almost immediately to arbitration. This follows the ending this year of their five-month strike campaign which secured some longer-term pay commitments but an immediate increase of only 7½ per cent—half the original claim.

The Society of Civil and Public Servants, representing 105,000 executive and directing grade Civil Servants, has proposed in a confidential paper to the council that the unions should again submit a common pay claim this year.

The paper argues that if the unions are to maintain their insistence on comparability with outside pay as the main determinant of Civil Service pay, the base date for this year's claim must be the time of the last comparability-based settlement for the Civil Service.

A claim based on this, the paper proposes, would therefore call for increases of about 21 per cent, varying for different grades, though if it was based on rises due since April this year, according to the union, the suggested claim would come down to about 9½ to 10 per cent.

The largest civil service union, the Civil and Public Services Association, is arguing for a date-rate claim to help the lower paid, who form a large part of its membership, but other union leaders are concerned that to submit a claim on the scale of the society's full target of 21 per cent would not be seen by union members, the Government or an arbitration panel as credible.

Inter-union embarrassment over the society's suggested claim means that today's meeting of the full council—the first since it called off its strikes at the end of July—is unlikely to focus on pay.

The effectiveness of the strike campaign—the longest national stoppage since the

miners' strike of 1926—is examined in confidential internal papers on the dispute prepared by Mr Bill Kendal, council secretary general.

He says: "Industrial action was forced upon us. It was inevitable and necessary."

"We have nothing to apologise for in terms of policy, organisation or execution providing that it be understood that there is the fixed objective of moving from the defensive to the offensive at the right moment," he says.

Mr Kendal says that at the beginning of the campaign in March, "we underestimated Government determination and Government resources. We did not correctly estimate the extent of union organisational weaknesses and deficiencies in certain areas and overestimated our financial strength, and, therefore, ability for prolonged selective strike action."

## Gas strike possible next month

By Our Labour Correspondent

A NATIONAL strike in the gas industry could take place as soon as next month, if the Government does not scrap plans to sell off gas showrooms and let private companies sell appliances.

Union officials expect to meet Mr Nigel Lawson, the Energy Secretary soon to make a last attempt to change his mind on the proposed legislation to allow privatisation. But they believe a decision has been taken and will not be changed.

They say the Government has prepared legislation giving itself sweeping powers to sell a wide range of British Gas assets, and to establish a gas safety council aimed at calming fears over safety when the corporation loses its monopoly over the sale, supply and maintenance of appliances.

A meeting of the national executive council of the National and Local Government Officers' Association over the weekend decided to call a special conference of its 50,000 members in the industry to decide on a programme of opposition to the Government proposals.

Last week the General and Municipal Workers' Union, the industry's largest manual union, said the strike would be total and would continue "as long as it takes" for the Government to back down.

## Pessimistic view confirmed

By Eric Short

THE MARKET at the start of the year was anticipating that UK insurance companies were in for a rough ride, with most of the major world insurance markets well and truly caught in severe downswings in their insurance trading cycles.

Now that all the major UK insurance groups have reported their first half-year results, one can see just how rough the ride has been so far.

The table shows the aggregate underwriting results of the seven major companies—Commercial Union, Eagle Star, General Accident, Guardian Royal Exchange, Phoenix, Royal and Sun Alliance—together with those of the life companies, Prudential and Legal and General.

Total underwriting losses in the first half of this year, at £189.8m, are 50 per cent up on the losses of £125.5m for the corresponding period in 1980. The market fears for 1981 have so far proved to be well founded.

It was clear that 1981 was going to be a bad year in the U.S. as the trading cycle continued its downward swing. The results confirm this, with losses more than doubling from £32.2m to £70.8m.

But these results are heavily influenced by the poor performance of CU, whose losses tripled from £14.6m to £41.7m, and to a lesser extent by GA with losses up from £4.5m to £11.7m. Some groups, notably Royal and GRE did quite well in the first

### UNDERWRITING RESULTS

	1981 £m	First six months 1980 £m	Change £m
UK	8.2	-37.3	+45.5
U.S.	-70.8	-33.2	-37.6
Canada	-45.8	-10.0	-35.8
Australia	-27.4	-14.9	-12.5
Europe*	-12.5	-16.3	+3.8
Other overseas	-41.5	-13.8	-27.7
Total	-189.8	-125.5	-64.3

\* CU and Royal—Netherlands only; Eagle Star—Belgium only; GRE—Germany only; L & G—France only.

Source: Wood Mackenzie

half and bucked the trend.

All the main lines of business in the U.S. suffered, with the exception of workers' compensation, which improved a little. Commercial multi-peril was among the worse hit accounts.

An even worse picture is presented in Canada. Aggregate losses more than quadrupled from £10m to £45.8m—reflecting the bitter fruits of a market that had in previous years ignored basic underwriting principles in fixing premium rates. All groups have suffered from these adverse factors with the personal insurance lines causing most problems in the territory.

A similar picture is conveyed by the Australian results where losses have doubled from £14.9m to £27.4m. This general picture of gloom is relieved by the re-

sults in the UK where, under very favourable conditions, all nine groups have reported better results. A substantial aggregate loss of £37.3m in 1980 has been turned round to a modest £8.2m profit, even though five of the groups were still making losses this year.

Household accounts in the UK, especially for buildings, have benefited from a mild winter and substantial premium rate increases.

UK motor results have gained from lower numbers of claims and a deceleration in the rate of increase in their cost.

Most other accounts in the UK have improved, noticeably commercial fire. The only dull spot remains the liability business, still hit by losses on past years' risks. Eagle Star only marginally reduced its UK losses from £11.6m to £9.2m.

## Talks on lost refinery jobs Union devolution predicted

By Our Labour Correspondent

OIL companies have agreed to hold a meeting with unions organising refinery levels to discuss job losses in the refinery sector, following an intervention by Mr Hamish Gray, the Energy Minister.

Announcing the meeting at an emergency conference of refinery white-collar workers over the weekend, Mr Roger Lyons, national officer of the Association of Scientific, Technical and Managerial Staffs, said: "We demand action by the Government and the multinational oil companies before more refineries follow those at Ellesmere Port (Burmah) and Isle of Grain (BP) which the companies want to shut a further loss of jobs and skills."

TRADE UNION power will inevitably move from the national centres to local levels, according to Mr Jack Jones, former general secretary of the Transport and General Workers' Union.

Mr Jones was the leading architect among trade union leaders of the "social contract" in 1974, and was responsible for a devolution of power to the shop floor in his own union.

He writes in the current issue of Personnel Management: "In general, local bargaining has led to workers raising their sights, their levels of aspiration and has stimulated self-confidence. That outlook will spread and affect the future of British trade unionism."

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Authority (telephone number in parentheses)	Annual Interest gross pay- interest-able	Minimum sum	Life bond
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Wyre Forest D.C. (0562 3914)	14½	1-year	5,000 6-10
Kirklees (0494 22133 425)	14½	1-year	500 2-3
Kirklees (0494 22133 435)	14½	1-year	500 4-7



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 "Because I am an Australian who likes peace. And quiet. And a comfortable branch in a friendly tree.  
 "Which is the way things were. But no more.  
 "And who's to blame? Qantas that's who.  
 "Because they fly those 747's. Day and night they fly them from a place called London.

"And they pamper people so outrageously, that despite what I say, you'll probably fly Qantas to Australia too.  
 "Most people do.  
 "But speaking for koalas, I find Qantas entirely too much to bear. For a bear."

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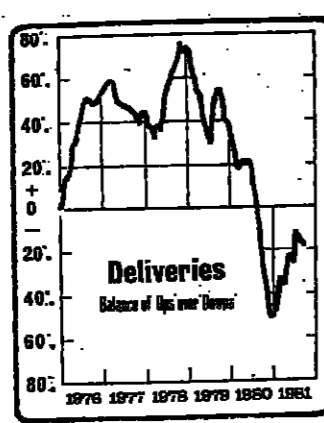
# FT Monthly Survey of Business Opinion

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## GENERAL OUTLOOK

### Turn for the worse

THERE HAS been a sharp turn for the worse during September in industry's expectations about the general state of business and about the development of the economy. The balance of companies reporting that they are more optimistic than four months ago has dropped from 18 per cent in August to just 2 per cent in September. This marks the lowest ebb in business confidence since January, when the first signs of recovery from recession began to emerge. The balance of opinion about the prospects for the UK economy as a whole has dropped to zero, with pessimists

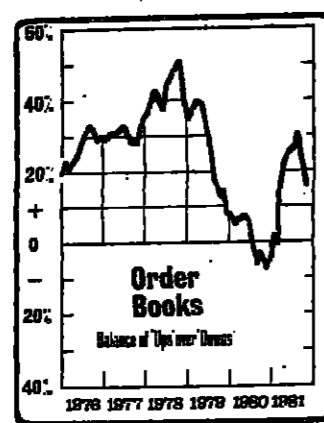


exactly matching optimists. This result is marginally worse than that recorded in April, when the balance turned positive for the first time since 1979, and 16 points worse than the result in August. There was a big disparity in the attitudes of the three sectors surveyed: last month electrical engineering, motors and consumer durables, and stores and consumer services. The state of confidence in the electrical engineering sector is much better than it was four months ago. But the other two sectors are overwhelmingly gloomier than they were in June.

## ORDERS AND OUTPUT

### New orders decline

THE TREND of new orders received by companies has turned down after improving steadily for almost a year. More companies are reporting a reduction in new orders than an improvement, although the largest number of companies report that the order level is broadly unchanged since four months ago.



The expected size of order books remains unchanged for most companies, but the number of firms expecting their order books to grow has fallen to 21 per cent from 16 per cent in August and 34 per cent in the previous two months. Very few companies expect their order books actually to become

smaller and this part of the survey suggests that most companies have adjusted output

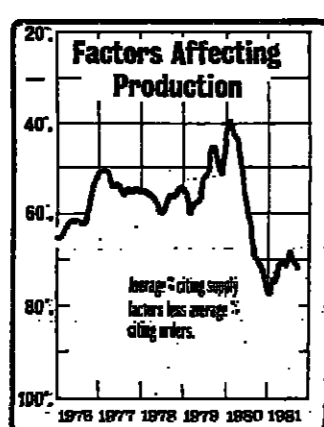
levels to the new circumstances of the recession and are maintaining order books at around the desired level relative to output.

Although the electrical engineering sector is generally more optimistic than the other sectors, its experience of new orders is actually much worse than that of the motor and consumer durables industry. However, export prospects have improved greatly in the electrical engineering sector, with 73 per cent of firms expecting higher exports. The other two sectors also expect significantly higher exports and indication of the impact made by the fall of the pound.

## CAPACITY AND STOCKS

### No sign of restocking

LACK OF DEMAND is causing even more problems for industry than in the last few months. The number of companies citing lack of home orders as a factor limiting production has risen from 87 per cent in August and July to 90 per cent. The proportion of firms complaining about a shortage of export orders is almost unchanged at 63 per cent. Significantly, none of the other factors which is listed as possibly limiting production scores more than 4 per cent. This suggests that companies feel that they would be able to meet any upturn in demand that might occur, either at home or abroad.



The proportion of firms work-

ing below planned output levels has risen from 45 per cent to 53 per cent. But it seems that assets

are gradually being pared down to match output levels, since 62 per cent now report that they have no assets idle, compared with 53 per cent in July and 45 per cent in June.

There is still precious little evidence of any economic recovery due to restocking by either manufacturers or retailers. The balance of firms reporting that their stocks are too high over those who see their stocks as inadequate has risen from 23 per cent in August to 27 per cent. In the three sectors specially examined this month there were no companies reporting stocks below the desired level and 43 per cent of stores still report excessive stocks.

## CAPACITY WORKING

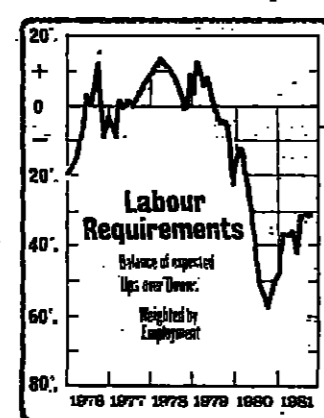
Are you working at your planned output level for the time of year?

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Above target capacity	3	6	4	5	8	0	0
On target	41	46	49	38	39	40	35
Below target capacity	53	45	41	48	53	60	65
No answer	3	3	4	9	0	0	0

## INVESTMENT AND LABOUR

### Redundancies continue

DEMAND FOR labour seems still to be falling and even the rate of reduction in the labour force does not yet appear to be slowing down. The balance between firms who expect to cut their workforce and those who expect to expand them remains at 31 per cent for the third month running. In the electrical engineering sector 94 per cent of employers expect further labour force reductions. The stores and consumer services sector is much more stable, with 62 per cent of respondent expecting to maintain the present level.



employers—81 per cent—mention lack of demand as a factor discouraging recruiting. The other main factor is plans to increase productivity, mentioned by 45 per cent. However 29 per cent mention high wage costs in relation to productivity.

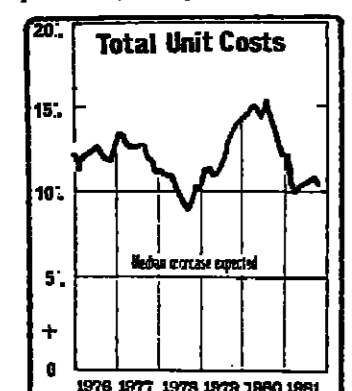
The outlook for capital investment also remains gloomy, with 35 per cent of firms planning reductions in investment volume, against 20 per cent planning increases, although, as with many of the other questions, the balance is not nearly as unsatisfactory as it was last winter.

## COST AND PROFIT MARGINS

### Profit margins improve

THE OUTLOOK for price increases has remained roughly constant through the summer. The median price increase expected over the next year is 9.9 per cent, compared with 8.8

by more than 15 per cent has fallen to only 4 per cent, compared with 10 per cent in June. Expectations about wage increases are continuing to fall significantly. The median expected increase is now 8.2 per cent, compared with 10.3 per cent in June. Only 23 per cent expect to grant increases of more than 10 per cent. In the motor and consumer durables sector, 72 per cent of firms expect wages to remain the same or increase by 4 per cent or less.



However, the prospects for unit costs generally are not as favourable. The median expected increase, at 10.3 per cent, is not significantly different from the past few months' levels, and is less than the median expected rate of price increase.

Nevertheless there are hopes that profit margins should improve over the next 12 months among 45 per cent of the firms

questioned, compared with 14 per cent who expect margins to contract. The balance is continuing on an improving trend which began in February this year.

Complete tables can be purchased from Taylor Nelson and Associates.

## GENERAL BUSINESS

Are you more or less optimistic about your company's prospects than you were four months ago?

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
More optimistic	26	37	36	40	33	7	4
Neutral	50	44	43	41	51	38	65
Less optimistic	24	19	21	18	16	55	32

## EXPORT PROSPECTS (Weighted by exports)

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Over the next 12 months exports will be:							
Higher	59	60	56	49	73	54	41
Same	25	20	25	27	26	44	55
Lower	15	19	17	22	0	2	0
Don't know	7	1	1	2	0	0	4

## NEW ORDERS

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
The trend of new orders in the last four months was:							
Up	22	27	24	18	16	48	7
Same	34	30	34	28	47	14	16
Down	28	25	28	35	37	38	29

## PRODUCTION/SALES TURNOVER

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Those expecting production/sales turnover in the next 12 months:							
Rise over 20%	2	2	2	0	0	0	0
Rise 15-19%	1	0	0	0	0	0	0
Rise 10-14%	7	10	7	5	9	7	0
Rise 5-9%	26	24	25	17	32	7	39
Rise 2.5-4.9%	25	31	25	20	43	17	0
Remain the same	22	18	29	33	16	45	41
Fall 2.5-4.9%	6	3	3	6	0	17	16
Fall 5-9%	5	5	2	6	0	0	0
Fall 10-14%	0	0	2	4	0	0	0
Fall 15% or more	0	1	1	1	0	0	0
No answer	7	7	4	7	0	0	0

## STOCKS

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Raw materials and components over the next 12 months will:							
Increase	25	35	36	30	33	17	0
Remain the same	59	45	49	49	35	69	98
Decrease	14	16	12	17	32	14	0
No answer	3	3	3	3	0	0	2
Manufactured goods over the next 12 months will:							
Increase	28	34	34	26	17	52	8
Remain the same	41	32	36	46	39	7	90
Decrease	14	16	13	15	35	24	0
No answer	3	4	1	1	0	0	0
Not applicable	14	14	17	12	8	17	2

## FACTORS CURRENTLY AFFECTING PRODUCTION

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Are any of the following factors limiting your output at present?							
Home orders	90	87	87	92	100	93	100
Export orders	63	64	58	61	84	52	20
Executive staff	2	4	3	3	0	0	0
Skilled factory staff	3	0	0	2	32	7	8
Manual labour	1	1	1	1	0	0	0
Components	0	1	1	1	0	0	0
Raw materials	3	6	6	5	0	0	4
Production capacity (plant)	4	5	5	3	0	7	4
Finance	1	1	0	0	0	0	0
Labour disputes	3	5	11	11	0	0	0
Others	16	16	15	18	8	0	20
No factors	4	7	7	4	4	0	0

## LABOUR REQUIREMENTS (Weighted by employment)

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Those expecting their labour force over the next 12 months to:							
Increase	12	13	13	13	4	0	10
Stay about the same	45	43	43	39	2	39	62
Decrease	43	44	44	48	94	61	27

## CAPITAL INVESTMENT (Weighted by capital expenditure)

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Those expecting capital expenditure over the next 12 months to:							
Increase in volume	28	22	22	22	15	34	35
Increase in value but not in volume	14	12	10	9	38	3	18
Stay about the same	25	27	29	26	28	11	28
Decrease	35	33	34	40	19	51	19
No comment	6	6	5	4	0	0	0

## COSTS

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Wages rise by:							
0-4%	2	0	0	0	16	36	0
5-9%	66	57	53	43	76	14	69
10-14%	23	35	40	48	8	14	7
Remain the same	2	0	0	0	0	36	0
No answer	7	8	6	9	0	0	24
Unit cost rise by:							
0-4%	6	5	6	2	4	7	4
5-9%	29	27	32	34	81	38	17
10-14%	37	36	43	40	16	19	57
15-19%	5	6	3	2	0	0	0
20-24%	0	1	1	1	0	0	0
Decrease	2	0	0	2	0	36	0
No comment	21	24	16	19	0	0	28

## PROFIT MARGINS

4 monthly moving total					September 1981		
June-Sept.	May-Aug.	Apr.-July	Mar.-June	Elect. Eng.	Motor & Stores	Consumer Durables	Services
Those expecting profit margins over the next 12 months to:							
Improve	45	40	48	45	75	62	49
Remain the same	31	31	30	35	24	34	39
Contract	14	20	19	20	0	7	12
No comment	10	9	4	0	2	7	0

## APPOINTMENTS

### Managing director for BXL Plastics

Dr Frank Newman has been appointed managing director of BXL PLASTICS. He succeeds Mr Peter Sharrock who retired on September 30. Mr Newman comes to BXL from its parent company BP Chemicals which he joined in 1980. He was appointed BXL's general manager, research and development in 1972 and general manager, regional, in 1979.

Mr D. J. Needham and Mr P. V. Baker have been appointed to the board of CLARKSON PUCKLE MARINE HOLDINGS.

Mr Brian Callaway has been appointed managing director designate of CLARKSON AND MORLAND. He joins Morlands from Generale Occidentale/Cavenham Industrial Group, where he was chairman and chief executive.

Mr G. P. Rawick has become group managing director of RENWICK-SKELESY HOLDINGS and chairman of Renwick-Skelesy Plastics following the death of Mr A. V. Skelesy.

Mr John M. Davies has been elected chairman of the Direct Mail Producers Association, and Mr John R. T. M. Hughes, vice chairman.

Mr G. Lenton has been appointed director of KELLOCK TRUST. He has resigned as secretary and Mr R. B. Martin has been appointed in his place.

Mr J. G. Woolfenden was appointed an executive director of THE STERLING CREDIT GROUP. Formerly he was a director of Guinness Mahon.

Mr W. F. S. Letten, managing director of British United Trawlers and a director of the parent company Associated Fisheries, has been elected president of the BRITISH FISHING FEDERATION.

Mr Anthony Burton has joined MCANALLY, MONTGOMERY AND CO. stockbrokers, as head of the corporate finance department and managing director of McAnally Corporate Services. He has dissolved his partnership with Sheppards and Chase.

Mr David Shennan Houlston has been appointed to the main board of the BAYFORD GROUP.

Mr Patrick D. Conroy, formerly of Conrad, has been appointed a director of MINET LEASING SERVICES.

ABBEY LIFE ASSURANCE COMPANY has made the following appointments: Mr Paul Beviere becomes senior branch manager at the South Bank branch in London. Mr Keith Lardner has been appointed senior branch manager at Mildenhall, Suffolk.

The Prime Minister has

approved the appointment of Mr Edward G. Caldwell, to present a deputy parliamentary counsel, to be parliamentary counsel.

Dr N. M. Bryson, at present an assistant secretary, is to be a special representative of the Scottish Government. These appointments are made in anticipation of the resignation of Mr J. S. Collis, who is taking up an appointment in Australia.

Mr G. J. R. Bedford has been appointed company secretary of NORTHERN FOODS following the retirement of Mr G. A. T. Morris.

Mr Vice Marshal Arthur Griffiths has been appointed chairman of CONSOLIDATED SAFEGUARDS in the retirement of Mr John Marsh.

Mr Philip Bushill-Matthews, at present managing director of IGL Industries, is to be a director of the BIRDS EYE WALLS as sales director.

Mr Gordon Aylott has been appointed by the ELECTRICITY COUNCIL to be head of domestic and commercial marketing from November 1.

Mr Nicholas Heider has joined ICB INVESTMENT as an associate director in charge of Eurobond sales. The company is a subsidiary of the Industrial Bank of Japan.

Mr D. S. Houlston has been appointed to the main board of the BAYFORD GROUP, of Leeds.

Dr David Cratchley has been appointed engineering director of ERIK BROWN. He was director of research for the past four years and recently was responsible for the technical and engineering functions of the company. Mr Terry Morrison has been appointed technical director. He was formerly research manager of the Fifth Brown Research Laboratories and has been technical director of River Don Stampings for the past two and a half years.

The BRITISH ALUMINIUM has created a new extrusions division, made up of three separate extrusion companies: British Aluminium Extrusions, High-Tech Alloys Extrusions and Almetex. Mr J. A. Halley is appointed managing director of the new division, with Mr W. L. Atkinson as assistant managing director and Mr C. A. Whitworth-Smith as marketing director. Other appointments to the divisional board are Mr J.

## BUILDING AND CIVIL ENGINEERING

## UK cement producers threatened £8m jobs for Rush &amp; Thompkins by cheaper foreign imports

BY ANDREW TAYLOR

BRITAIN'S CEMENT producers are being threatened with the possibility that the construction industry will turn to imported cement from the Continent if prices rise too sharply in the UK.

Last week it was the turn of the precast concrete manufacturers to issue the sternest warning yet to the cement makers, which have said that cement prices could rise by between 8 and 12 per cent this November.

Precast concrete manufacturers are under severe pressure, not only from dwindling workloads as public sector contracts have dried up but also from increasing competition from rival building products. The switch to timber frame housing, for example, is making serious inroads into the market for concrete blocks.

In this climate the British Precast Concrete Federation says it may have no option but to turn to cheaper imported cement in a bid to fight off

competition from products elsewhere in the building industry. The federation said the industry had already looked at the possibility of shipping bulk cement into this country from the Continent, where prices can be up to 50 per cent cheaper than in the UK. A number of precast concrete manufacturers had been forced to turn to imported cement during the recent industrial dispute at Blue Circle.

The federation said the cost of establishing storage depots and distribution networks for imported cement coming to the UK had till now proved prohibitive but that rising prices might force the industry to think again.

Subsidised energy costs on the Continent had accentuated the difference between cement prices in the UK and in other European countries.

The table below, from figures compiled by the federation last week, illustrates the marked difference in cement prices in the UK and those on the Con-

tinental, although prices in individual centres in some countries may vary slightly.

The precast concrete industry is a heavy user of cement, accounting for just under 24 per cent of annual output. Only the ready-mixed concrete industry is a bigger customer. Cement makers are clearly concerned themselves at the prospect of major customers turning to imports in the face of rising prices.

The cement industry has already foregone a rise of 4 to 6 per cent originally planned for July. But as overheads and energy costs continue to rise the pressure for an increase this November is mounting.

## CEMENT PRICES

	(per tonne)
Austria	£29.44
Spain	£27.28
Belgium	£24.83
France	£24.50
W. Germany	£18.91
Greece	£19.00
Central London	£41.52

FOUR NEW projects together totalling over £8m have been awarded to Rush & Thompkins. One scheme gives a face-lift to an LFE Underground station, and the other three are for new blocks of shops and offices.

Major contract is a £4.5m nine-storey air-conditioned office block for the Norwich Union Life Insurance Company at Bridge House in George Street, Croydon. Construction will be in certain walling and brickwork cladding on a reinforced concrete frame. Fitzroy Robinson Miller Bourne and Partners of Hove are the architects and Gordon Harris and Barton the quantity surveyors. Work starts on this scheme almost immediately and completion is planned for May 1983.

Second largest job in this batch is Broadway House, Bromley, Kent, a seven-storey block of offices with two shops fronting on to the High Street near Bromley South British Rail station. This will have storage space beneath the shops at lower ground floor level, and private car parking is being provided at the rear with access along a new service road. Abbott Howard, Bromley, are architects for this £2m R and T Group development, and Murdoch Green the quantity surveyors.

At Crown Arcade, Union Street, Kingston-upon-Thames, the company has won a £1.7m contract for Salamander Securities. This has shops at ground level, offices on the first and second floors, and also provides four flats.

Finally, the refurbishing of Archway Underground Station at £220,000, specifically includes anti-graffiti surfaces in an attempt by the London Transport Executives to combat vandalism.

## Hydro scheme for Wimpey

FOUR CONTRACTS associated with the civil engineering aspects of the Lupohio-Ezulwini 20MW hydro-electric scheme on the Lusushwana River, Swaziland, are worth £12.4m to George Wimpey International.

Awarded by the Swaziland Electricity Board against a wide range of competition from Norwegian, South African, French, Italian and other British companies, the project steps up the Swaziland power development programme enabled by loans from the World Bank, Commonwealth Development Corporation, European Development Bank, European Republic of Germany's Kreditanstalt für Wiederaufbau, African Development Bank, Swaziland National Provident Fund and the Swaziland Government.

The scheme comprises the building of a rockfill dam with an earthfill core 45 metres high with a 480-metre crest containing 0.8m cubic metres of rock and earthfill. Also in this contract is the construction of a concrete diversion culvert below the dam for eventual modification to a low-level outlet, excavation and construction of a spillway, access roads, including a road round the reservoir, and a bridge at the Lusushwana River.

Second major works here involve the driving and lining of a 4,500-metre by three-metre lined-invert low-pressure tunnel, a vertical shaft and surge chamber and 700 metres of high-pressure tunnel.

Other works include the supply and installation of intake gates, screens, steel tunnel liners, penstock and pipeline.

The company's Edinburgh office announced a contract worth nearly £2m to build 126 houses in the Hillburn District of Livingston New Town near Edinburgh. These range from single to three storeys and will be built using the Wimpey "No-Fines" technique.

Under an £800,000 contract with the Swaythling Housing Society Wimpey will extensively modernise 68 houses in 11 terraces in Campbell Road, Eastleigh. The cottage-style terraced houses will be given new roofs (using existing slates), central heating boilers will be installed, and their blackened brickwork will be cleaned and restored to its original red. Rear extensions to the buildings will be demolished and replaced with larger ones, all plasterwork checked, and repaired, and redecoration undertaken both internally and externally.

Electricity Supply Nominees have awarded a £1.4m contract for low-rise (campus style) offices at Aztec West, Almondsbury, Bristol, to be occupied by Digital Equipment. The building will provide 2,500 sq metres of office space and will be constructed on a consolidated granular sub base with a steel frame, proprietary metal profile cladding, and a flat, galvanneal metal deck roof with pvc covering. Floors will be in-situ reinforced concrete and ceiling suspended to incorporate environmental heating.

## Costain to construct Tilbury defences

TIDAL DEFENCES in the Thames Estuary at Tilbury Fort, Essex, are to be constructed by Costain Engineering under a £4.8m contract awarded by the Essex Rivers Division of the Anglian Water Authority.

The work, which has started on site and is due for completion in January 1983, involves the protection of the north bank of the Thames with steel sheet piling, ground anchors, bearings piles, filling, a reinforced concrete walkway, cladding and crest walls, sluice and related ancillary works.

The consulting engineers for the project are Binnie and Partners.

The architects are Tom Mellor and Partners, Lytham, and the consulting engineers W. Curton and Partners, Liverpool.

The southern division of Fairclough Civil Engineering is to build three bridges on a stretch of the M25 in Surrey under a contract valued at £1.2m. A reinforced concrete bridge on a new embankment will carry the motorway over the Guildford to Epsom railway at Downside, near Stoke d'Abernon. Fairclough pre-stressed concrete beams will be used for the bridge deck.

A second bridge of similar construction will carry the motorway over a main road near Leatherhead, while a reinforced box structure near the railway at Downside will take a minor road under the M25.

## Lancaster unit for the aged

FACILITIES FOR the care of 146 elderly patients at Lancaster Royal Infirmary will be provided under a £2.75m contract awarded to the north-western division of Fairclough Building. The unit will combine 96 in-patient beds in four wards. A separate day hospital for up to 50 patients will include a rehabilitation department.

Because of poor ground conditions the reinforced concrete building will be supported on piled foundations. During construction, Fairclough will temporarily flood the basement to provide ballast for the structure until the upper floors are complete. The project will take 130 weeks to finish.

## £5.5m jobs for L and N

A VARIED batch of new work is worth more than £5.5m to a number of companies in the London and Northern Group, with £3.7m worth going to A. Farquhar (Builders) in the Aberdeen area.

At Altness, Aberdeen, work on office and warehouse facilities for Atlantic Drilling are valued at £405,000. New warehouse for Stubber Securities is worth £800,000, while the Altness Community Centre for Aberdeen District Council brings in £1m.

Other work in the district is for Amoco (£540,000); South Eastern Drilling Company (£280,000); Hampshire and City Properties (£380,000); Dresser Maquabar (£240,000); Dowell Schlumberger (£70,000); Gramplan Regional Council (£217,000); and Shell UK at Tullos (£406,000).

Simpson McLaren in Glasgow has a £177,580 deal for rehabilitating 15 houses at North Street and Love Street, Paisley, for Renfrew District Council.

Midlands company E. Fletcher Builders is to construct 32 elderly persons flats with warden's accommodation and common rooms at Chaplin Road, Longton, for the Bath Johnson Housing Association under a contract worth £487,000. Fletcher has also entered into joint participation contract with Kettering Borough Council to design and build 13 factory units at Northfield Avenue with a value of £467,000.

Revitalisation of 44 houses in Spennymoor, County Durham, is worth £280,000 to Wilson's (Spennymoor) and include 30 houses for the North East Housing Association. Border Engineering has more than £1m worth in the north-west for constructing a new graphite machine shop at Lillyhall, near Workington, and new quarters at Amman for British Fuels. Included in this figure is creating a vehicle washing and servicing area at Carlisle and extending the Wigton automatic telephone exchange.

Two-level car park for J. Sainsbury at South Street, Farnham, is to be built by Bison Concrete at a cost of £96,000.

## Restoration by Lelliott

THE INTERIORS of two Grade II listed buildings are to be refurbished and "brought back to their original splendour" affirms John Lelliott with the announcement of a £1.8m scheme for 15-17 Knightsbridge, London, SW1.

Work on the adjoining buildings is for the second London Wall Group in conjunction with Nestles Pension Trust and covers complete renovation of the whole interiors and restoration of ornate ceilings with painting and cornices, wall panelling and embellished plasterwork. New services are to be installed and new extensions built to the rear of each property.

Other new work just announced is a £1.4m fitting out of five floors of banking offices for Swiss Bank Corporation, electrical installations, high quality joinery and false ceiling work at 130 Wood Street in the City of London.

The company will convert the third floor of a factory at Kings Road, Reading under a £278,000 award from Smith Foods Group.

## BUSINESSMAN'S DIARY

## UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Oct 6-9	Design Engineering Show and Conference (01-747 3131)	NEC, Birmingham
Oct 6-10	Park Lane Hotel Antiques Fair (01-553 9362)	Park Lane Hotel, W1
Oct 13-16	6th International Airport Construction and Equipment Exhibition (0727 63213)	Belle Vue, Manchester
Oct 13-16	Distribution Services Show (01-408 2122)	Wembley Conference Centre, Newcastle
Oct 14-15	Hardware Review Exhibition (01-584 4082)	Metropole Ex. Hall, Brighton
Oct 14-16	International Conference and Exhibition (0483 38085)	NEC, Birmingham
Oct 20-23	International Business Show (01-405 6233)	Olympia
Oct 20-23	London Fashion Exhibition (01-385 1200)	Earls Court
Oct 21	Motorfair (01-385 1200)	Cumard Intl. and West Centre
Oct 24-28	International Automotive Parts and Accessories Trade Show—AUTOPARTAG (0494 41548)	Hotels
Oct 27-29	Computer Graphics Exhibition (0874 38211)	Bloomsbury Centre
Oct 27-29	Electronic Test and Measuring Instrumentation Exhibition—TESTMEX (0822 4671)	Wembley Conference Centre
Oct 28-Nov 5	Model Engineering and Hobbies Exhibition (0455 37173)	Bingley Hall, Birmingham

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	First Intl. Fair (021-705 8707) (until Oct 11)	Singapore
Oct 9-13	International Market for Videocommunications—VIDCOM (01-499 2317)	Cannes
Oct 12-17	International Maritime Exhibition—ROMAR (0206 45121)	Rio de Janeiro
Oct 16-25	International Flower and Horticultural Show (01-548 1101)	Copenhagen
Oct 17-21	International Exhibition of Women's Ready-Made Clothing (01-439 3944)	Paris
Oct 18-23	International Water Exhibition and Conference (01-272 3387)	Bombay
Oct 20-23	International Security, Safety and Protection of Man and Property—EUROPROTECTION/EUROSECURITY (01-498 1861)	Paris
Oct 21-27	International Petroleum and Gas Exhibition (01-228 2429)	Moscow
Oct 27-31	Electrical Engineering Exhibition (01-540 1101)	Berlin
Oct 28-31	International Sports, Swimming Pools and Leisure Facilities Trade Fair (01-409 0856)	Cologne
Oct 30-Nov 10	Tokyo Motor Show	Tokyo
Oct 30-Nov 11	International and Gastronomic Fair (0271 812988)	Dijon
Nov 3-7	International Engineering Exhibition (01-461 7688)	Seoul
Nov 4-6	Resins and Pigments Exhibition (0737 68611)	Milan

## BUSINESS AND MANAGEMENT CONFERENCES

Oct 6	The Henley Centre for Forecasting: The new leisure markets for the 1980s (01-333 9961)	Cumberland Hotel, W1
Oct 8-9	Department of Energy: Fifth National Energy Management Conference—Energy Conservation—the key to competition (01-211 3001)	Nat. Exbn. Cntr., Birmingham
Oct 8	Dun and Bradstreet: Understanding credit and collections—for all collection personnel (01-247 4377)	Piccadilly Hotel, Manchester
Oct 12-13	AMR International: Effective presentations (01-242 2782)	Westbury, W1
Oct 12-16	Lloyd's World of Shipping Conference (01-353 1000)	ng Kong
Oct 13	IPS: Costs and prices—the outlook for 1982-83 (0990 23711)	Penta Hotel, SW
Oct 14	Oyez-IBC: Drafting commercial contracts—variations of standard forms and essential provisions (01-242 2481)	Scientific Society, W1
Oct 15	CBI: Motivating employees (01-378 7400)	Centre Point, WC1
Oct 15-17	World Sugar Journal: International Policy and Legislation on Sweeteners and Alcohol (0733 72457)	Florida
Oct 16	Systematics International/ICPC: Seminar for Business Executives (0223 62126)	Colchester
Oct 19	British Institute of Management: The Effective Manager (01-405 3456)	Guernsey
Oct 20-21	Frost and Sullivan: Motivating Computer Personnel (01-486 8377)	Copenhagen
Oct 20-23	Welsh Development Agency: "Fit-Tec" in Gwent (044385 2566)	Newport
Oct 21	Gower: Insolvency 1981 (01-240 5831)	Park Lane Hotel, W1
Oct 21-23	PPA: Team-Talks '81—for those in periodical publishing (01-937 8000)	Royal Garden Hotel, W8
Oct 27	LCCL: Focus on mainland Spain and the Canary Islands (01-349 4444)	68 Cannon Street, EC4
Oct 28	Dun and Bradstreet: World Effective Trade Credit Management (01-247 4377)	Albany Hotel, Birmingham
Oct 28-29	Croner: Employment Law Update (01-942 8966)	Kensington Close Hotel, W8
Oct 28-30	Institute of Publishing and Supply national conference (0990 23711)	Harrogate
Oct 28-30	AMR: Management Buy-Outs (01-282 2782)	Royal Garden Hotel, W8
Oct 30	Local Radio Association discussion meeting (01-283 7229)	Connaught Rooms, WC2
Nov 4-6	American Tax Institute: International aspects of U.S.-European Taxation (Paris (1) 256 3370)	Carlton Hotel, Cannes
Nov 12	IPS: Computer Purchasing (0990 23711)	Tower Hotel, E1
Nov 13	Bath Chamber of Commerce: The New Industrial Challenge (0223 50655)	Beaufort Hotel, Bath

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

## Financial Times Conferences

## LONDON BANKING CONFERENCES

The Financial Times will be presenting four major banking conferences in London in 1981/82. These will cover the principal issues of concern to the international financial community and examine the best potential business opportunities.

## RETAIL BANKING—A VITAL MARKET FOR THE 1980s

Royal Lancaster Hotel, London—November 30 and December 1, 1981

## INTERNATIONAL FINANCE FOR DEVELOPMENT

Barbican Centre, London—December 1 and 2, 1981

## WORLD BANKING

Grosvenor House, London—December 14 and 15, 1981

## THE EUROMARKETS IN 1982

Inter-Continental Hotel, London—February 9 and 10, 1982

All enquiries should be addressed to: The Financial Times Limited, Conference Organisation, Minster House, Arthur Street, London EC4E 3AX

Tel: 01-621 1355  
Telex: 27347 FTCONF G  
Cables: FINCONF LONDON

## £8.5m plan for Croydon airport

THE SECOND phase of an £8.5m scheme to develop Croydon airport is underway. Run by Trafalgar House (Industrial) Developments, the total scheme will provide 148,328 sq ft of factories and warehouse when completed in March 1982.

It will be made up of 40 units varying in size from 1,500 sq ft to 36,165 sq ft.

Within the development, an area of 36,000 sq ft in 13 units of between 2,990 sq ft and 3,610 sq ft is being constructed for the London Borough of Sutton, which will let and manage this part of the site.

## Whelan builds for Schhh...

A DESIGN and build contract worth £1m has been won by Newcastle-based Whelan for a new distribution, warehouse and production complex with associated roadworks and sewers at East Kilbride in Strathclyde for Schwegges.

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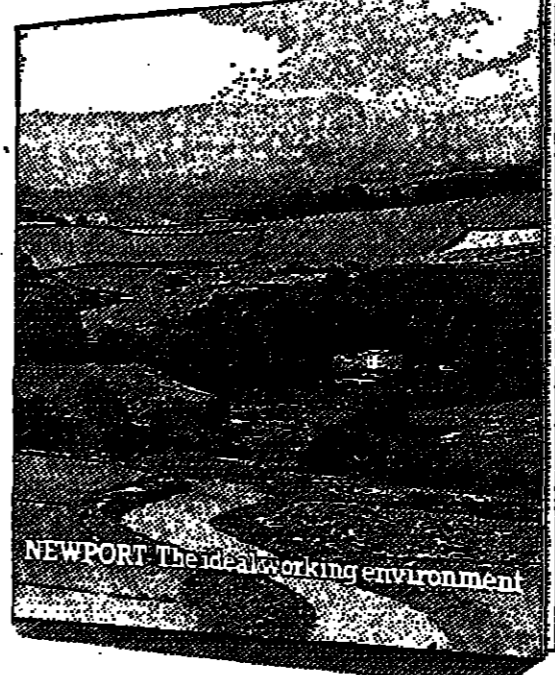
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## TECHNOLOGY

## Heenan launches energy-plus incinerator

A CONTROLLED combustion incinerator which promises major energy savings has been launched in the UK by Heenan Environmental Systems, PO Box 14, Shrub Hill Road, Worcester (WR9 2JL).

The company claims advanced technology in the design of the incinerator which is fitted with modulating auxiliary burners which use only sufficient fuel to maintain the ignition temperature of the waste being destroyed.

Complete incineration of wastes (including those with a high plastic content) is assured, and all hydrocarbons are burnt off so that the resulting clean products of combustion can be passed through a waste heat recovery unit to provide steam or hot water.

## New hoist in Stash As range

ADDITION of a new hoist to Stash As's range means there are now five basic types suitable for loads from 320 kg upwards, with lifting speeds from three to 24 metres a minute, and for lifting heights up to 120 metres, says Tommas Force (0279 721513).

New hoist has an SWL capacity of 20,000 kg and a protective system rated to IP66. Other models in the range can all be rated to IP66 against ingress of dust or moisture to allow specification for arduous duty—in mines, quarries and chemical plants and for offshore and tropical applications.

Depending on requirements, all five AS hoists are available in FEM groups IB, 1A, 2 and 3, enabling the specifier to select for either light or arduous duty.

## Flowmeters

UCC INTERNATIONAL, Thetford, Norfolk (0642 4251), has developed a series of water flowmeters capable of dealing with two to 400 litres per minute. The 1 in and 1 1/2 in can handle 350 bar (5,000 lbf/in<sup>2</sup>) pressures and the 1 1/2 in 210 bar (3,000 lbf/in<sup>2</sup>).

## How old ways could help Third World...

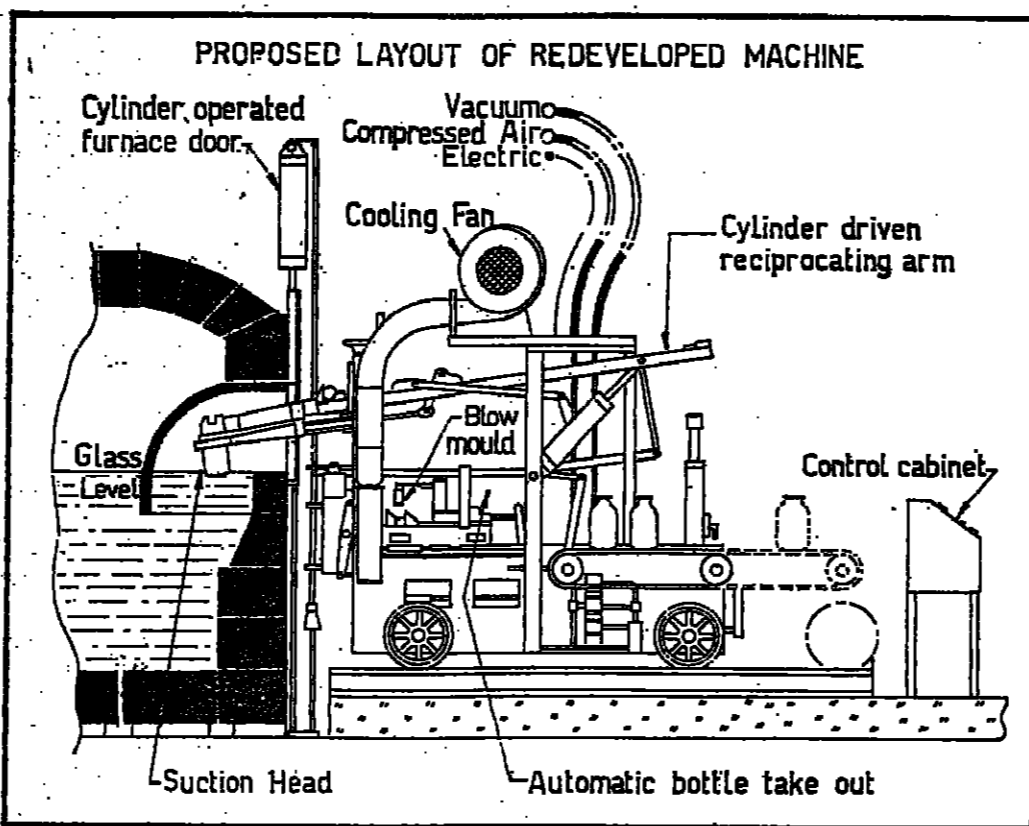
THE SEARCH for a low production, glass container making machine for the Third World has led experts to update a 1930's technology which, ironically, has considerable potential in the industrialised West for short runs of bottles ideally suited for cosmetics, beauty and health products and perfumes.

The discovery of six 1930s Roirant F machines, laid up in a Swedish warehouse, was the first step. Intermediate Technology Industrial Services in Rugby (part of the late Schumacher's IT Development Group) assisted King, Tandein and Gregson (KING), leading glassworks equipment manufacturer in the UK, in buying these machines and are also funding a part of the costs of redevelopment.

Discussions with KING have led the latter to develop a modern hydraulic prototype for industrialised markets as well as the Roirant's output will move up to 12,000 bottles a day. The prototype is due to be installed shortly in the Trent Valley, Glassworks, at their Watnong plant near Knottingley. The project was so attractive that the National Research Development Corporation, (now British Technology), has agreed to fund part of the cost of prototype development, although no actual figure has been published.

Traditional approaches to technology expect spinoff from the rich to the poor countries—this opposite is probably true here. The increasing use of glass containers in developing countries for medical, cosmetic

This page traditionally deals with developments in technology likely to benefit industry and commerce in developed countries. Here we look at two examples of intermediate technology, aimed at the Third World



and other consumer products has meant manual methods could not cope with demand for either quantity or quality. The gap at the moment between semi-automatic and fully auto-

matic IS (Individual Section) production is enormous. IS automatic machines can cost perhaps £500,000 and turn out 60,000 to several hundred thousand and more glass containers

a day. They are extremely complex and need highly skilled personnel.

In contrast, in a developing country for example, 12 skilled workers produce only 3,600

(100g) bottles per 24-hour day, working manually with semi-automatic moulding equipment. The IS level of production is far too high for a country like Bangladesh where annual demand is only 100m units, 40m made by the domestic market and the rest imported. An IS machine must be kept in fairly constant use to cover high investment and capital costs. Glass producers are loath to accept low run orders because of this.

That is where the Roirant steps in, using a single-head suction-moulding process first developed in 1903. It particularly suits cosmetic, health and beauty product and perfume manufacturers who often need a small run of a high quality containers which come extremely expensive on large run machines. Such firms have already expressed an interest in the revived machine.

ITIS arranged for three machines to be refurbished and sent for factory trials in Indonesia and Bangladesh and plans to send one more to Sri Lanka. The Roirant can produce 8,000, 100 gram weight bottles (present range is 50g-250g) a day and only needs one skilled operator. It also produces better and more consistent quality than manually controlled semi-automatic machinery. Garry Whitby of ITIS, who has been overseeing their side of the project, says the final model manufactured from the prototype may sell for around £30,000. The updated Roirant, whether in the West or the Third World has come back to fill a vital gap in the glass-making machine market.

## ... and how Dr Baghdadi funds intermediate research

NOW, A completely different approach from Dr Ali Baghdadi, research fellow at Imperial College, London, and guiding spirit behind Appropriate Technology (ApTec).

He is using the profits made from high technology enterprises to fund research into the kind of technology which can best benefit the third world.

An example of his intermediate technology is Minid, a portable mineral identifier developed by Dr Baghdadi in which the Chinese are now showing interest.

According to Dr Baghdadi: "The skills to identify mineral specimens rapidly are not widely available in many developing countries." His solution is to train non-

scientists to operate simple, portable tools: "Information about the hardness, colour, streak, solubility in various solutions and so on is entered into a small, robust, foolproof, battery-operated microcomputer via a simple keyboard." "The microcomputer will then correlate results, look up a table for the mineral which possesses these properties and display the name on a small alphanumeric screen."

The kit was originally based on a small Hewlett-Packard computer, but now Dr Baghdadi has developed a single chip device utilising the powerful Intel 8048 microprocessor.

He expects to be able to sell the complete kit for about US\$100, a remarkably low

price, but in the light of the £50 or so Sinclair is asking for the ZX81 general purpose microcomputer, well within reason. In fact, Dr Baghdadi's device points the way to providing instant expertise in the form of preprogrammed computer memories for a whole range of tasks in the Third World.

The money to research and promote the Minid is coming from sales of another of Dr Baghdadi's inventions, the Flowriter.

Launched only in June this year, he claims to have sold 40 or so devices already.

This is an intelligent printer/word processor based on the Japanese Ricoh 1600—an advanced daisy wheel device—for which Dr Bag-

dadi and his group have developed added intelligence. ApTec claims that it is equivalent to the products of the major daisy-wheel manufacturers Qume, Diablo and NEC.

It prints 60 characters a second, has an internal memory of up to 8,000 characters and has communications capability making it suitable for use as an electronic mail station.

The extra intelligence has been directed towards improving the efficiency and speed of printing.

If, for example, a table is being printed, it has the facility to look ahead and decide how best to position the print head for the next series of characters.

When attached to a keyboard, the Flowriter functions as a word processor; when attached to a computer, it is able to relieve the host of the tasks of monitoring printing.

The machine costs £3,795 complete or £1,795 for the Flowriter as an intelligent printer alone.

Dr Baghdadi, whose inventions include a wooden electricity generator that produces 100 watts (developed in conjunction with the Intermediate Technology Development Group), is now devising a pocket blood group identifier along the lines of Minid. More from Appropriate Technology, 9 Poland Street, 01-437 8954.

Alan Cane

## DoI backs addressing machine

THERE ARE thought to be some 30,000 users of plate addressing machines in the UK. Tucked away in the mailing departments of Government offices, banks, building societies, mail order companies, publishers and other organisations with repetitive bulk mailing needs, they are all the market target of a new company called Compaddress.

Each year, the Compaddress salesmen hope to win 100 or so of them over to a computer-based system which is able to provide more flexible and intelligent addressing routines, cutting the cost at the same time.

Compaddress is a new wing of HSV, a group specialising in mailing services and the provision of associated equipment. The venture has been supported by the Department of Industry which has provided a grant of £62,000 for the development of the software packages. The project is being monitored by the National Computing Centre.

Managing director Geoffrey Hall admits that his company is not alone in offering such systems. However, he believes Compaddress will have the edge over the others in terms of complete back up in the whole addressing field including services and equipment.

Hall believes it will not be too difficult to persuade existing users of metal and other plate systems to make the change. Such systems are slow by modern standards and nowadays are regarded by many office workers as "messy" to operate. In addition, the plates can take up a good deal of space in their storage racks.

In electronic systems, the addresses are stored on magnetic discs and are printed out on to self-adhesive labels, continuous computer stationery or

directly on to envelopes. It is the ability to change address content that is most attractive, coupled with the fact that the addresses used for a particular run can be easily chosen, simplifying various kinds of selective mailing shot.

The addresses are simply recalled from the disc for editing and selected by keyboard for a particular run using pre-coding. Thus, one button depression could, for example, send a letter to all customers with a turnover greater than £5m employing over 100 people with locations in a particular geographical area.

Hardware for the system is an ADDS computer and VDU with Mannesmann-Tally printers. The software is offered in three modules. The first gives address processing including creation and updating facilities and print out. At this level, the basic machine with an eight inch printer and suitable software costs £5,500. A 14 inch printer adds about £750.

A second module of software provides extensive list handling allowing more complex selection and output. A third allows the addressing function to be linked into other software such as subscription accounting, response analysis and general programs. Each of the two additional modules adds about £250. For large scale applications hard discs can be added at about £6,000 (the basic machine uses floppy discs each holding 2,000 names and addresses).

The prices include installation, commissioning, and staff training. File creation and a wide range of paper handling equipment can also be offered together with full support, including maintenance contracts. More on 0256 63444.

Geoffrey Charlsh

## Portable pulse meter

A PORTABLE pulse-meter no larger than a pocket calculator has been put on the market by Comput Electronic GmbH, Steinerstr. 15, Munich 70, a Bayer group company. Intended for athletes and convalescents, the "Puls-o-meter" shows pulse frequency per minute on a digital read-out when the user places his finger tip on an optical reader.

This measures the reflection of an inner lamp on the fingertip, which changes according to the amount of haemoglobin which enters and leaves the finger with each pulse beat. A microprocessor calculates the period between beats and the resultant pulse per minute. The "Puls-o-meter" which is only 11.7 cm long, 6 cm broad and 2.3 cm thick, weighs 75 grammes excluding its 9-volt battery.

## COMPANY NOTICES

## CANON INC.

Advice has been received from Tokyo that the Board of Directors has declared a payment of DIVIDEND of Yen 5.00 per share for the period ending 30th June 1981.

Holders of EUROPEAN DEPOSITORY RECEIPTS for Canon Inc. should apply to the depository, Hill Samuel & Co. Limited, 45 Beach Street, London EC2A 3DF, where forms for claiming the dividend are available.

Payment in sterling will be made at the rate of exchange ruling on the day after presentation.

Holders of BEARER DEPOSITORY RECEIPTS should apply to the depository, Hill Samuel & Co. Limited, 45 Beach Street, London EC2A 3DF, where forms for claiming the dividend are available.

ALGERME BANK NEDERLAND N.V., 23 VLEISSTRAAT, AMSTERDAM.

CITIBANK N.A., 111 FIFTH AVENUE, NEW YORK, N.Y. 10012.

SOCIETE GENERALE, 29 BOULEVARD HAUSMANN, 75 PARIS 8.

THE FUSI BANK LIMITED, THE FUSI BANK LIMITED, 100, MARKET STREET, SINGAPORE.

KREDBANK SA, LUXEMBOURG, 100, RUE DE LA REINE, LUXEMBOURG.

ROYAL BANK OF CANADA, 100, KING STREET WEST, TORONTO, CANADA.

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ROYAL BANK OF CANADA, 100, KING STREET WEST, TORONTO, CANADA.

## CONTRACTS AND TENDERS

## SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

The Secretariat of the General People's Committee for Agrarian Reclamation and Land Development invites the general tendering for 27 henneries each of a capacity of 5,000 chickens, and 33 incubators, each of a capacity of 10,000 chickens—in the Jamahiriya.

All necessary technical specifications for the henneries can be requested from the Department of Poultry Project during working hours (8.00-14.00). Telex No. 20150.

Bidders must submit their offers together with certificate of experience for all executed works in the field of establishment of poultry farms. The latest date for submitting offers will be 15th October, 1981 at 10.00 am.

The Poultry Project, Secretariat of the General People's Committee for Agrarian Reclamation and Land Development.

## PUBLIC ESTABLISHMENT OF ELECTRICITY FINANCIAL DIRECTORATE-EXTERN CONTRACT SECTION

Extension of the closing date of tender No. 1405.

Following our advertisement for the tender No. 1405 concerning the construction of a thermal power station of 2x150 MW in south Syria which is mentioned in the daily bulletin of official tenders No. 3912 dated 21/5/81.

Please be informed that the closing date of the a/m tender became on Thursday 3/12/1981, and the opening of the offers will take place at 10 o'clock on Saturday 5/12/1981.

With evidence that PEE is preparing for some explanations for the tender subject of discussion and will send there explanations for each one bought the file of the subject.

The General Director of PEE  
ENG. R. IDRIS.

## CITY OF COPENHAGEN 94% 1975/1985

UA 25,000,000

Notice is hereby given to Bondholders that, during the twelve-month period ending September 24, 1981, nominal UA 1,035,000 have been purchased for the account of the City.

Outstanding amount: UA 23,509,000

The Fiscal Agent  
KREDBANK  
S.A. Luxembourg

Luxembourg, October 5, 1981

## GENERAL MINING UNION CORPORATION GROUP ANNUAL GENERAL MEETINGS

The Annual General Meetings of the undermentioned companies (both incorporated in the Republic of South Africa) will be held at Union Corporation Building, 74/75 Marshall Street, Johannesburg on the dates mentioned below.

Bulwerston Gold Mining Company Limited Monday 26 October 1981

Imala Platinum Holdings Limited Wednesday 18 November 1981

per pro GENERAL MINING UNION CORPORATION (P) LIMITED

29 Ely Place, London EC1A 3EA.

5 October, 1981.

L. J. BAINES

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## INTERNATIONAL BIDDING

Elettrificacao Rural de Santa Catarina S.A.—Eruç, foreseeing a new phase in its project, is looking for manufacturers of machines, equipments and materials destined for implantation of rural electrification in the State of Santa Catarina—Brazil.

The interested manufacturers should write to:

R. Bocaliva,

Nr. 215 Florianopolis—SC—CEP 88.000—Brazil.

## SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

## SECRETARIAT OF LIGHT INDUSTRIES

Post Box No. 4388, TRIPOLI, SPLAJ.

Cable address: TASNIALIBYA - Telex No. 20471

## TENDER COMMISSION NOTICE

## FOR PUBLIC TENDER NO: (3/81) FOR THE ESTABLISHMENT OF FACILITIES FOR COLLECTION OF OLIVE CAKE AT DIFFERENT LOCATIONS IN SPLAJ

The TENDERS COMMISSION of the SECRETARIAT OF LIGHT INDUSTRIES puts to Public Tender, the establishment of facilities for collection of Olive cake at different locations in SPLAJ in which specialized International Companies who have previous experience in the establishment of such works are invited to participate in accordance with the following conditions:—

- The General Conditions booklet, the technical specifications and Tender Documents to be drawn from the SECRETARIAT OF TENDERS COMMISSION of the SECRETARIAT OF LIGHT INDUSTRIES, at its offices at Fath St. during official working hours against a cost of (L.D.20/-) (TWENTY) Libyan Dinars non recoverable.
- TENDERS shall be submitted on Tender Documents prepared by the SECRETARIAT indicated in item (1) of this notice signed by the participants and shall be delivered in closed envelope sealed by seal wax which in turn shall be placed in other wax sealed envelope. The name and address of the SECRETARIAT OF LIGHT INDUSTRIES and the number of this TENDER shall be written on the inner envelopes with an indication that they contain a TENDER for the establishment of facilities for collection of Olive cake at different locations in SPLAJ. It shall be sent by Registered Mail, postage prepaid or shall be delivered by Hand to the SECRETARY of the TENDERS COMMISSION of the SECRETARIAT at Al Fath St. (El Saat), TRIPOLI/SPLAJ, in the SECRETARIAT'S OFFICES during OFFICIAL WORKING HOURS. Such delivery shall be against a receipt to contain the name of Tenderer, and date and hour of delivery. However, in all cases, the TENDERS SHALL BE DELIVERED NOT LATER THAN 12 O'CLOCK-NOON OF 15/10/1981.
- The Tenderer shall enumerate in his TENDER, his previous experience in executing similar work and shall support such data by sufficient instruments and documents which should be attached to his TENDER. Furthermore, he shall attach to his TENDER all instruments, documents and licences permitting him to perform such work.
- The TENDER shall remain valid and binding to the Tenderer who may not withdraw it, as from date of its delivery by Tenderer and for a period of (90) NINETY days, which shall be calculated as from the last date indicated for acceptance of TENDERS (opening of envelopes date), indicated in item (2) of this NOTICE.

- The Tenderer shall attach to the documents of his TENDER a PROVISIONAL GUARANTEE amounting not less than 1% (half percent) of the Total Cost of the TENDER. TENDERS not accompanied by a FULL PROVISIONAL GUARANTEE shall not be considered. Such GUARANTEE shall be either in cash paid to the SECRETARIAT Treasury or by an accepted cheque certified by the issuing Bank or by a letter of guarantee issued by a local Bank. The said letter of guarantee shall not be subject to any reservation or condition and shall contain a stipulation as to its being irrevocable and that it is payable at the SECRETARIAT'S first demand irrespective of any contestation by the body who delivered it or any third party.
- The successful Tenderer shall deposit in the SECRETARIAT'S Treasury within a period not exceeding twenty (20) days from the date of notifying him of acceptance of his TENDER, a final guarantee equivalent to 5% (five percent) of the Total Cost for which the Contract is adjudicated. This guarantee shall be submitted in the same mode and procedures adopted for the provisional guarantee and in the manner defined in the General Conditions of this TENDER.
- TENDERERS or their officially authorized representatives may attend the envelope opening session to hear reading of prices.
- THE PROVISIONS of the ADMINISTRATIVE CONTRACTS REGULATION and CONTRACTING WORK REGULATION shall apply to this TENDER and to the Contract to be concluded with the successful Tenderer with whom the TENDER is adjudicated and with whom it shall be decided to conclude a Contract. The said REGULATION is considered as an integral part of this Contract.
- TENDERS arriving after the defined time for opening of envelopes indicated in item (2) of this NOTICE or which is not accompanied by a FULL GUARANTEE fulfilling legal requirements shall not be considered.
- The SECRETARIAT has the right, according to its absolute discretion, to accept or reject any TENDER without indicating reasons.

TENDER COMMISSION, SECRETARIAT OF LIGHT INDUSTRIES.

TRIPOLI, SPLAJ.  
Dated: 5th October, 1981

## TRAVEL

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## THE MANAGEMENT PAGE

## Distribution: more than a matter of transport

Arnold Kransdorff reports on a frequently overlooked source of potential savings

MOST businessmen would look askance if told they were neglecting to manage efficiently a part of their operation which was costing up to 20 per cent of sales.

Yet this is exactly what the author of a new study is claiming.

Gordon Hill, a director of A. T. Kearney, the U.S.-based management consultants, has just completed a Europe-wide survey of what the Americans call "logistics" and what most others call physical distribution. Hill defines the activity as the process of moving finished goods from the point of manufacture to the ultimate consumer.

The survey, which covered more than 500 companies in the Benelux countries, France, West Germany, Italy and the UK, was conducted for various European distribution organisations, including the UK Centre for Physical Distribution Management, of which Hill is a board member.

Hill places distribution among the most misunderstood and underdeveloped of management functions — an opinion reinforced by the survey's finding that fewer than 20 per cent of the respondents had a co-ordinated approach to it.

Although the survey deals only with Europe, Hill says that the position — surprisingly — is no better in the U.S. and Canada, where Kearney has undertaken similar surveys in the past.

Hill believes that because of inherent inefficiencies, most European and U.S. companies could find, if they wanted, relatively easy ways of improving productivity by at least 10 per cent in the short term. If this were achieved in the UK, annual cost savings could top £2bn, he claims.

## Left and right

With wide experience on the subject, Hill claims that there are only a handful of companies that give distribution the attention it deserves.

"Many companies treat transportation as the only factor in physical distribution," he says. "But traditionally it has spanned a number of management functions — such as transport, warehousing and inventory." In companies in the UK — a not untypical country — there are often six involved each measur-

ing its own costs, he says. "This can only result in lack of co-ordination."

The solution, he says, is as obvious as it is simple — make distribution the responsibility of one man at board level, giving it "the top attention it deserves" and ensuring "that the left hand knows what the right is doing."

Among the few UK companies which have appointed a director of physical distribution or equivalent are brewery groups such as Courage, Bass and Allied Breweries, and Boots, Sainsbury, Imperial Group, Schweppes and STC.

Hill says that there would probably not be much disagreement among managers on the aims of a good physical distribution system — ie, to minimise the total overall cost consistent with achieving the desired levels of customer service. The problem arises in persuading them to implement a suitable system to achieve it, he adds.

The way to go about it, Hill maintains, is first to integrate the elements of distribution to reduce the impact of organisational boundaries on productivity improvement, preferably under the umbrella of one top executive.

The next step is to determine customer service standards to which the company wants to operate, and then determine the exact cost of meeting them.

Hill says that most managers measure the cost of distribution as a percentage of corporate sales. He claims that this is very misleading because if a company puts up its prices, the distribution costs may look more favourable — and the distribution manager would be able to claim that he is still doing a good job.

A more appropriate method, he says, is to use physical measures independent of cost — such as time, the number of deliveries and by comparing what is actually done with what is physically possible.

"From this, costs can be calculated as a unit of physical measure. For example, if a company can calculate a cost per delivery in each delivery area, it can determine the relative benefits from delivering elsewhere or even by some other means (such as by independent haulier)."

"It is essential that companies are aware of the costs

associated with the service they are providing to customers in order to understand the relationship between the two. They must be aware, for example, of how a change in customer service standards, such as increasing a delivery frequency, can affect costs."

Hill says that this information must then be communicated to those people such as marketing or sales executives "who, ordinarily, are probably unaware of the consequences of a change in standards that they may arbitrarily initiate."

Management must then set goals, he says. To do this it is necessary to assess current performance through the unpopular (in the UK at least) method of time and motion study.

"A company can identify the areas where improvements can be made only by determining what, indeed, is practical. This typically requires some close analysis of the current use of resources."

"Once the areas for improvement are isolated, management must decide on a course of action to capitalise on these opportunities."

## Measures

The most common methods of goal setting — as confirmed by the survey — were to establish financial targets, adopt industry averages or to develop "engineered" expectations. Of the three, Hill recommends the latter, a technique used by only 15 per cent of the respondents.

"The best goals are those which are specifically tailored to reflect the potential of the particular operation being evaluated. Use of such engineered goals, which can be set in terms of physical measures for all functions, will help management identify opportunities for productivity improvement."

Once goals have been set the next step is to track progress against objectives, Hill adds.

According to Hill, the measurement techniques used by European companies were in general relatively unsophisticated, although a number of companies in the UK, France and Italy were using advanced systems.

The unsophisticated systems included simple isolation of costs and setting of budgets; the more advanced included for-



"Among the few UK companies to appoint a director of physical distribution are Boots, Schweppes STC (System X), and the Imperial Group (Robert Fletcher)."

malised systems for comparing results against goals and integrated systems to enable management to make trade-off decisions across several functions to achieve the best mix of resources.

"A sound measurement system is the key to long-term improvement in physical distribution productivity," Hill concludes. "Opportunities clearly exist throughout European industry to enhance the accuracy and usefulness of present productivity measures."

"Unlocking the Hidden Treasure — Logistics Productivity in Europe," by A. T. Kearney, 134. Piccadilly, London W1. Price £8.

## Boots: a 9% improvement

WHEN Boots, the retail chemists, first took a serious look at its warehouse and distribution system in 1975, it found that the company's drivers were wasting almost three hours a day moving between High Street branches — trying to find one that could take a scheduled delivery.

Often, the drivers would return to their depot or wait in a road-side cafe until they could return and offload. In many cases, the reasons why they could not deliver were obscure.

At one of the shops next to a pedestrian crossing, the police refused to allow deliveries during shopping hours; at another, porters, who were employed part-time, were not available when a delivery should have arrived.

Another common reason was the whim of an individual store manager.

As a result of differing restrictions on delivery, more than a quarter of the drivers' working day was unutilised through no fault of their own. These findings emerged from an audit of the company's distribution system which was carried out in the mid-1970s by A. T. Kearney, the management consultants.

Boots commissioned the audit in the light of its decision to reduce sharply the number of High Street outlets because of changing trading conditions. Several solutions were suggested. Taking the example of a distribution centre in Aldershot, Hampshire, which operated 29 vans, it found that it was possible to reduce the number of vehicles by two merely by revising existing schedules. A further three could be dispensed with by arranging for there to be no delivery restrictions at stores.

By using larger vehicles where possible, the fleet could be reduced by another two. Furthermore, if larger vehicles were used throughout and no restrictions on delivery were in force, the fleet could be trimmed by a further four, to 18.

In the event the fleet was reduced from 29 to only 25 because management found it impossible to remove many of the operating restrictions.

However, it was subsequently decided that the space at the depot could be better utilised as storage, and Boots' own delivery network at the site was abandoned in favour of an independent carrier.

Using the same system, similar economies were identified at the company's complex of six warehouses in Nottingham which each handles a different product.

On a daily basis a computer aggregated the work content associated with preparing orders of each product. In spite of the fact that the volume of work varied at different warehouses each day, it was company policy to employ the maximum number of people needed at each warehouse, leaving a constant reservoir of unutilised labour.

By assessing what was a practical workload, the company now employs the minimum number of people needed at each warehouse and — with the agreement of the unions involved — tops this up with a small mobile labour force which moves between the different locations to suit the workload on a particular day.

As a result the numbers employed at the warehouse complex have been reduced by 9 per cent.

## The real cost to the company

ONE OF the main findings of the European survey was that companies generally have a narrow definition of physical distribution. Even those companies which have broad definitions often omit important charges like inventory costs, inbound transportation and data processing costs.

As a result a company's perceived costs of physical distribution invariably differed from real costs.

European companies generally calculated their distribution costs at about 6.5 per cent of sales whereas the "true" cost, according to the survey, was in the region of 20 per cent, against 21 per cent in the U.S. Kearney says that the most commonly

omitted charge was inventory costs.

In the UK, companies worked out their physical distribution costs at just under 7 per cent of sales against a "true" cost of more than 16 per cent, the survey claims. The "true" cost included the transportation charges (outbound being the single greatest factor accounting for 3.4 per cent of sales), depot and factory warehousing, interest on stocks, administration and other costs.

French companies, according to the survey, also grossly underestimated the true cost of physical distribution. They thought the figure was just under 9 per cent whereas the actual cost amounted to more

than 13 per cent.

Another finding was that distribution was highly fragmented in the majority of companies. While most respondents put warehousing and transportation into the category, only half included customer service.

Surprisingly, only three-quarters of the companies surveyed reported direct control over the administration of distribution. Among the remainder, it was administered most frequently through sales and marketing or production departments.

One of the most encouraging findings, says the survey, was that there was a positive attitude towards productivity improvements.

## Management abstracts

Strategic Management accounting. K. Simmonds in *Management Accounting* (UK), Apr. 81, p.28 (4 pages, charts, tables).

Explores business strategy principles concerned with competitive position and market share. Argues that management accountants ought to expand their role by moving from the last year's budget comparisons into providing information which would help shape competitive strategy. Suggests that to do this they ought to be concerned with competitors' figures as they are with their own.

Faults and cures in materials handling. I. Hill & others in *Industrial Engineering* (US), Apr. 81, p. 44 (17 pages, illus, diag, tables).

Discusses causes of failure in materials handling, and examines the relationship of handling activities to production in order to suggest the remedies. Differentiates between approaches (e.g. the use of a task force and techniques, e.g. activity sampling), and gives examples of each in MH analysis. Suggests criteria when selecting or assessing a new method, and presents an overview of areas where operational research has been applied.

Selecting a job evaluation scheme. N. Harris & J. Bothams in *Management Services* (UK), May 81, p. 16 (4 pages, diag, table, bibl.).

Warns against rushing into a particular job evaluation scheme, and advises that alternatives should be considered to smooth the path. Classifies schemes and suggests factors that should influence choice. Presents a step-by-step procedure, complemented by diagrams.

The social dynamics of the small manufacturing enterprise. J. Curran & J. Stanworth in *Journal of Management Studies* (UK), Apr. 81, p. 141 (17 pages, tables).

Compares the job market characteristics, internal relationships (both horizontal and vertical), and connections with the local environment and wider community, of small and large manufacturing companies, in order to examine whether conceptions of worker identity with small firms are realistic.

These abstracts are condensed from the abstracting journals published by *Abstract Management Publications*. Licensed copies of the original articles may be obtained at £2.50, each (including VAT and 7 p. p. cash with order) from *Amhar*, PO Box 23, Wembley HA9 8DU.



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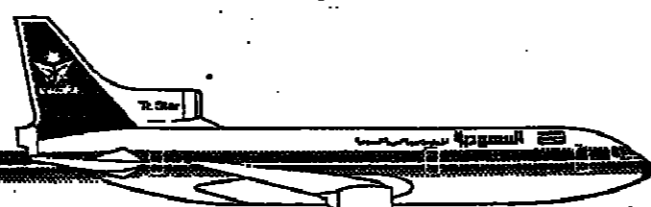
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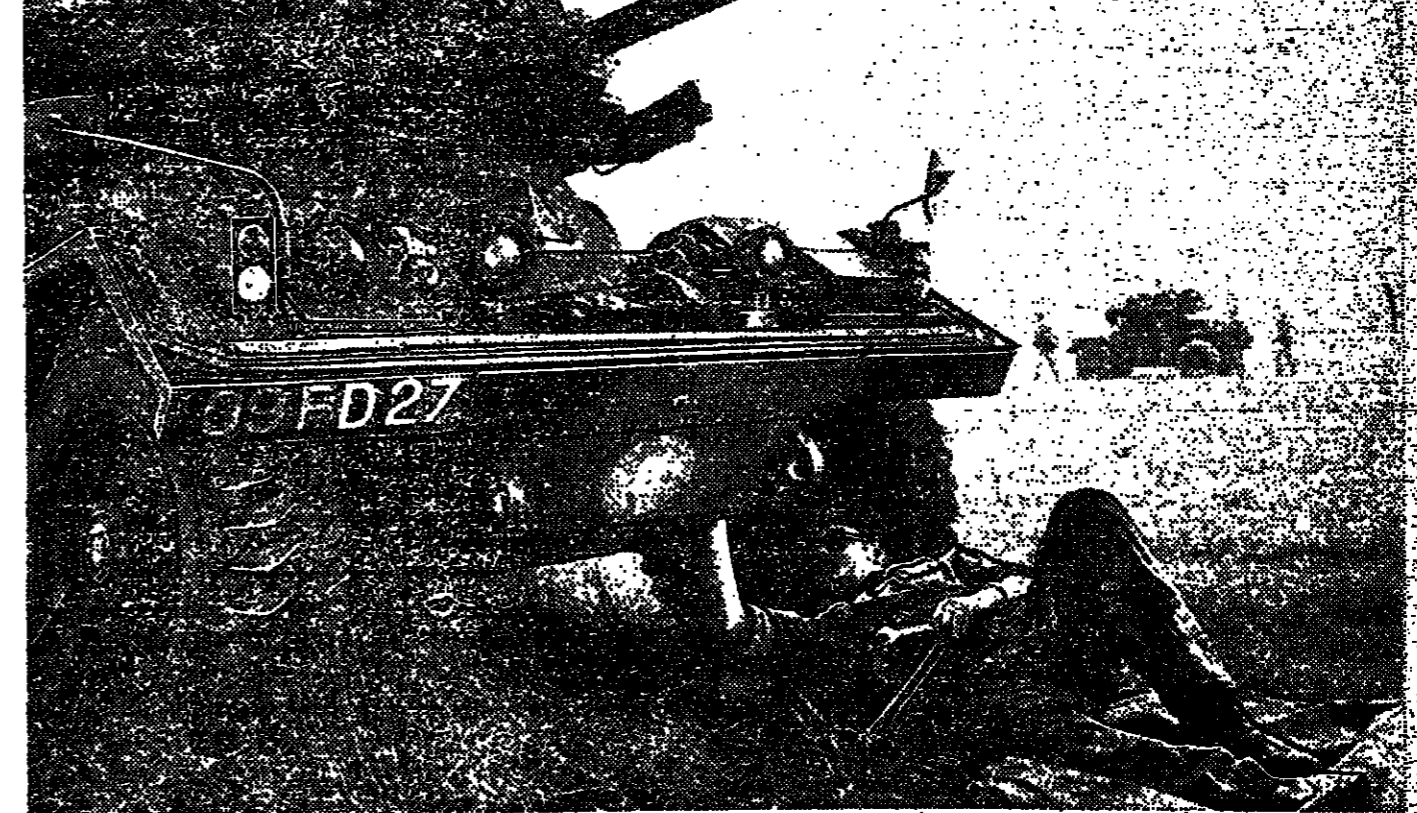
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## It pays to save by COLIN AMERY

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[illegible]

## FINANCIAL TIMES

BRACKEN HOUSE, CANNON STREET, LONDON EC4A 3BY  
Telegrams: Finatime, London F54. Telex: 8354871  
Telephone: 01-245 8000

Monday October 5, 1981

## Racial bias is bad business

IT CANNOT be in the interests of the business community to deepen social divisions. While it may seem expedient to keep established workers sweet by bowing to their racial prejudice, managers who do so hazard their companies' longer-term prospects by contributing to the causes of social tension within their own neighbourhood.

This applies regardless of the Race Relations Act under which BL Cars and two former shop stewards of the Amalgamated Union of Engineering Workers have been publicly criticised by the Commission for Racial Equality.

The incident in question occurred four years ago when a junior manager at the company's plant in Castle Bromwich refused to employ Mr George Jones, a skilled maintenance fitter who was born in Britain and is of West Indian origin. The Commission maintains that the manager rejected Mr Jones because of his race, and that the company's refusal to employ him was based on racial prejudice.

## Decision

BL Cars, while not denying the existence of this prejudice among the fitters, says that the decision to reject Mr Jones was made for another reason. His experience was confined to working on presses of no more than 300 tons whereas the presses at the plant were of 400 tons or more. Rules of safety would have required Mr Jones to work for at least six months under the constant supervision of another skilled worker, whom the manager could not afford to release.

It is uncertain, therefore, whether the law has really been broken as the commission says, or whether its officials have been over-cautious in their job of hunting down cases of racial prejudice to haul before the public. No matter which of the two may be the truer in this particular instance, it would be naive to contend that managers do not turn down applications from blacks, women or people with other traits which give rise to prejudice, for the sake of avoiding employment of workers already employed. Evidence that managers fairly commonly how to such pressure is provided by a report, also issued by the Commission for Racial Equality, on the methods used by nearly 400 Midlands

employers for recruiting young apprentices and trainees for skilled work. The recruiters interviewed during the study "regularly perceived areas or sections within a firm where the existing workforce were strongly prejudiced against ethnic minorities as workmates," the report says. "In particular these 'no go' areas seem to be where skilled workers are found."

## Advantage

As well as conniving at the maintenance of no go areas, organisations were often discriminating unconsciously against young people from racial minorities by the use of recruiting procedures inherently biased in favour of white families. This accidental discrimination was in some cases as much the fault of unions as of management.

The report also shows that the advantage given to the whites is bound to increase as jobs for young people become scarcer. Unions managers and unions have no time in eradicating such practices, the risk of serious racial conflict can only mount with potentially disastrous results for any working organisation.

In making the report on the study freely available, the Commission for Racial Equality has unquestionably done a service to its cause—probably a more useful service than was done by the broadcasting with far greater publicity of its accusations against BL Cars and the shop stewards. The prosecution of this single case is unlikely to change the habits of managers and union officials. Nor are appeals to their sense of social fairness as exemplified by the commission's proposal that BL Cars should now discriminate in favour of racial minorities so that the composition of its workforce comes to reflect that of the surrounding community.

## Ability

Social engineering of that kind is not the responsibility of people running organisations like BL. Their proper concern is to ensure that recruits are chosen according to their ability to do the job in question, regardless of race, sex or creed. And the best way to persuade them to root out such prejudice is to face them, as the research report does, with compelling evidence that it is in their own vital interest to do so.

## France debates nuclear power

THE FRENCH Parliament embarks tomorrow on a two-day debate about the future of nuclear power, in response to Socialist election promises to cut back the world's most ambitious nuclear power programme. The Government after some weeks of studying the present programme, last week published a plan to cut the rate of new orders from four nuclear stations to three a year for the next two years.

This is, of course, a far cry from what the faction of the Socialist party hostile to nuclear energy was hoping for. But it recognises what the anti-nuclear movement worldwide refuses to acknowledge that economic growth must rest upon a foundation of secure energy supplies and not nebulous schemes for energy saving and renewable sources.

## Achievement

The vital statistics of this achievement are that France has ordered 46 pressurised water reactors, of which 18 are already in operation. This has transformed a nation short of electricity and heavily dependent upon oil into one which last year became an electricity exporter to four other nations.

Performance has been high, particularly last winter, while new stations this year have been coming on-line faster than ever. According to the Electricité de France, the cost of nuclear electricity is only half the cost of French coal-fired electricity.

The Mitterrand Government, as was Britain's in the mid-1970s, is being accused of turning the nation into an international "nuclear dustbin," notwithstanding the fact that its overseas contracts have clauses stipulating the return, if so required, of nuclear waste.

The debate will focus upon reprocessing because this is where the industry urgently needs the approval of government for the construction of two new chemical plants at Cap la Hague to treat spent fuel.

The government's case is likely to rest heavily on arguments accepted in Britain for the Windscale factory in 1973. But whereas the Windscale decision was taken before large-scale imports of spent fuel began, a French veto against reprocessing this week would mean renegeing on major—and lucrative—contracts.

The likely outcome is that the French Assembly will vote for the programme to continue essentially unchecked, albeit with some concessions to nuclear energy's opponents, illustrated by the abandoning of the Plogoff site, and probably the construction of some more coal-burning plants.

The Socialist Government wants to apply to the nuclear programme its ideals of decentralised decision-making and democratic debate about major public issues. The danger is that by encouraging more discussion it will enable the anti-nuclear lobby, which in France has been relatively ineffective, to gather strength. It would be a severe blow to the Government's economic plans if the nuclear programme ran into the sort of legal and political tangle which has delayed the construction of nuclear power stations in the U.S., West Germany and Italy.

## Ambitions

The principle of explaining the need for nuclear power and securing the widest possible acceptance for it is certainly right. What other countries will be watching is whether the new approach will weaken the national resolve which has driven the programme forward successfully so far. A programme as ambitious as the French have been pursuing—they still have 30 reactors under construction compared with ten in Britain—needs strong political commitment and leadership.

"There are already at work forces pushing towards a total upheaval in the structure and financing of local government which could bring about more central control. This will not come from ministers' actions. We are not hell-bent on a takeover by the Environment Department and there are not many civil servants who are not filled with horror at the prospect. But I do see the threat from a certain remorseless march of circumstances. . . . Can the voluntary system of co-operation between local and central government stand the strain or are we going to end up in a political dog-fight?"

Tom King, Local Government Minister, June 4.

THE REMORSELESS march of circumstances—the inexorable rise in local spending—has finally brought to a point at which neither wished to be squaring up for a "dog-fight" which threatens fundamentally to change the constitutional relationship between the two sides.

The Government has decided that after two years of failure it is time to force local councils to adhere to the Government's spending targets. New radical legislation is to get top priority in the forthcoming Queen's Speech and should be on the statute books in time to curb next spring's rate rises.

The legislation will work in a very complicated way. First the Government will decide how much it thinks each council needs to spend to provide a comparable standard level of services. This is done by building up an assessment of how much needs to be spent on each service, giving due weight to a range of 55 centrally determined factors ranging from the number of children under five to the number of homes lacking basic amenities in a council's area.

When this total is calculated the Government will announce how much of that it will finance. The council can raise the rest in rates and if its own budget plans require a higher level of cash the rate can be set at a correspondingly higher level—but only so long as it does not go past a limit set by the Government.

If this proves insufficient the council can also then levy a supplementary rate. But this will also be limited by the Government and the council will have to leave to incorporate a differential fixed by the Government, so that commercial and industrial ratepayers pay less than domestic ratepayers.

As a council wants still more cash it must call a referendum on the subject among its entire electorate, ratepayers or not. If the council wins the second and final supplementary rate bill can go out. And there the matter will rest until the start of the following financial year when the process begins again.

But if the council loses the referendum—and this will depend on a number of factors, not least who writes the question and how—it must place itself virtually in the hands of the Environment Department.

## Triple alliance

Up in Perth for the Social Democrat roadshow this week is Francis Noel-Baker, who resigned as Labour MP for Swindon in 1969 and is now planning a return to political life. One of the SDP's newest recruits, Noel-Baker looks set to test its "broad church" tenets. He has also joined the Liberal Party, and has been a member of the Ecology Party for three years.

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For the longer-term investor,



MR MICHAEL HESELTINE: pushed to confrontation by council spending levels which threaten his and the Government's credibility

for the rest of the year and all of the next.

First it will have to decide with Mr Heseltine how much money can be borrowed to enable it merely to tick over for the rest of the year and the failure of the supplementary rate referendum will leave the council without enough income to fund its complete budgeted programme for nearly half a year. He will tell them how much they can have for the rest of the year and that will be, de facto, an absolute cash limit for that period.

A council which loses a referendum will not be allowed to fix a rate for the following financial year without the Government's agreement on how much it should be. No supplementary rates will be allowed in that year unless extraordinary special permission were to be given—after severe flooding, for example. This amounts to a centrally set cash limit for that entire financial year.

## Much depends on the questions

In practice this could mean, for example, that a Labour council elected to succeed a Conservative one on a platform of spending a higher level of spending could find itself losing a referendum on the basis that the answer to the question "Do you want to pay more taxes?" will inevitably be "No." Such a council would then be unable to honour its election promises, for two years.

But the opposite could happen: the power will still be on the statute books ready for another Government to use in a different way.

For example, a Labour Government committed to increased public spending, could adjust the grant allocation mechanism to penalise councils which do not spend more or which fail to subsidise transport fares or to build more council

## LOCAL GOVERNMENT CRISIS

## Why Heseltine lost his patience

By Robin Pauley



MR MICHAEL HESELTINE: pushed to confrontation by council spending levels which threaten his and the Government's credibility

houses or . . . Mr Neil Kinnock, Opposition Education spokesman, has already said that he would be prepared to use the mechanisms to force more spending on education, school meals, milk and transport.

Here too, of course, much depends on the referendum questions. The answer to a question "Do you want better schools?" will inevitably be "Yes."

But the constitutional problems are more fundamental still. The Government has always controlled part of local authority spending because it sets the percentage of current expenditure which it will finance. This has slowly increased since the war—to a maximum of 66.5 per cent in 1976. It has slowly receded since then to its present level of 58.1 per cent. But local councils have retained the absolute right to make their own decision about the amount of money they will raise through the rates.

The removal or curtailment of that freedom is a major constitutional change which council leaders are saying was not foreseen in any general election manifesto. The framework of the legislation is, however, already drafted to the extent that its provisions are known and it will be in the Queen's Speech at the beginning of November.

To circumscribe local financial freedom in the way proposed is to take a large step towards changing local government into local administration. It would be a small step further to complete this process and turn local councils into agents of central government. All spending decisions would be made at the centre in the form of absolute cash limits, perhaps going even further to define limits for each category of spending.

The Government has so far held back from this "final solution" to the problem

although it has its supporters particularly in the Cabinet. And Mrs Thatcher and Mr John Stanley, Housing Minister and a former Private Parliamentary Secretary to the Prime Minister, were advocating such measures immediately after the general election.

It was because Mr Heseltine, among others, talked them out of it, promising that the present system—in which grant tapers off above prescribed spending levels—would do the trick, that he is now under such pressure for having failed to deliver the goods. He is apparently not wholly happy about the course on which he has embarked but feels he has been pushed to confrontation by council spending levels which are seriously threatening his and the Government's credibility.

In 1981-82 total local government expenditure will be an estimated £19.2bn (November 1979 prices) representing 24.2 per cent of total Government expenditure.

Two years of targets, exhortations, new legislation and threats have failed to get the volume of local government spending down to a level of 5.6 per cent lower than the actual volume in 1978-79. This boomeranged and pushed the projected total volume, overspend up another £15m to £18.5m, instead of cutting it.

Mr Heseltine was also despairing over the break-down of the overspending figures. Some 81 per cent of the councils over his targets were Conservative-controlled (accounting for 62 per cent of the overspend). Fifty-nine per cent of the overspend was accounted for by the 45 county councils, all but three of them Tory controlled when the budgets for this year were fixed. Tories and Labour leaders alike complained that the targets were both arbitrary and unrealistically low.

But the results of his controls were by no means as the over-

## Priority for Bill to curb rate rises

Robt Pauley reports that the Government is on a collision course with local authorities over rates

## Why a constitutional fight is inevitable

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Increased accountability. The good name of local government has been tarnished by the law. And the Conservative within the Association of Metropolitan Authorities refused to have anything to do with a fighting fund for a campaign against the legislation.

But the staunchly Conservative shire counties were not united. Hampshire is at once one of the most Tory areas in Britain and a council which consistently keeps its spending down—often to well below Government targets. Yet its leaders are among the strongest opponents of Mr Heseltine's moves.

The great difficulty about the legislation is that while it will arouse a great deal of fury as it battles its way almost certainly successfully through Parliament it will fail to solve any of the fundamental weaknesses which have brought about the present crisis.

None of the reforms of structure of finance in local government has ever been tackled in conjunction with the other. Governments are increasingly sceptical about Royal Commissions because they sit forever, produce no immediate action and therefore an fast political gain. They also often get shelved. The shelving of the report of the 1976 Layfield inquiry into local government finance is now largely accepted as a serious mistake partly responsible for the present mess.

But a commission may prove to be the only way to tackle simultaneously the problems of structure and finance. Layfield said that whatever is responsible for spending increases should also be responsible for raising it so that the amount in expenditure is "related" to democratic control.

The committee said the only way to sustain a vital democracy was to ensure the share of local taxation in total local revenue to "make" councillors more directly accountable to local electorates. It recommended the introduction of a "local income tax" with the retention of rates on a reformed basis. As it was not asked to deal with structure it had to assume that the present two-tier system would remain and so recommended the levying of the local income tax by the top tier, which has the highest budgets, and rating would remain at the lower level.

The debate has moved on since then and the majority of proposals for structural reform now advocate a one-tier system with new authorities based on populations of about 400,000.

On finance there is a growing body of opinion in favour of keeping rates on a radically reformed basis, and perhaps supplemented by other local taxes, on vehicle licences or petrol. The other alternative remains local income tax against which the Treasury and Inland Revenue are determinedly united.

But not everybody is against the constitutional change. Mr Ian Coutts, Conservative chairman of Norfolk County Council, said "What could be more democratic than going to your electorate before a supplementary rate? I welcome it as

urgently than ever.

## Men &amp; Matters

## Triple alliance

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For the longer-term investor,

the Calthness and Sutherland constituency of Bob MacLennan has produced an object of taste and distinction to enhance any liberal-minded home. A heavy glass paperweight, containing the initials "SDP" set in red, white and blue stones is yours for £30. I do not know whether credit cards are accepted.

## Patching up

The star-crossed courtship of stockbroker, Hedderwick Stirling Grumbar and Quilter, Hilton, Goudson, was to have climaxed, it will be remembered, in a trust on the Stock Exchange about at 3.50 pm on April 10. As things turned out, the last-minute revelation of trading problems resulted in Hedderwick's being hammered later that afternoon, while Quilters was saved from an awkward mésalliance.

As the echoes of the hammering die away, Hedderwick principals wait to come in from the cold. Tomorrow, the Stock Exchange Council will consider whether a number of them should be allowed to resume work for member firms. If the blessing is forthcoming, around ten of the Hedderwick men are expected to be keeping that long-postponed date by joining Quilters later this month. Apart from one analyst, they are all concerned with managing private client money.

Back at the Hedderwick office, the Stock Exchange official assignee Martin Fidler is believed to be turning his own attentions to Quilters—though they are likely to be less warmly received. The issue here is that even though—or, perhaps, particularly since—Hedderwick collapsed at the last minute, Quilters was well-positioned to benefit from Hedderwick clients who were preparing to follow their brokers over to the new home at Quilters.

Fidler is reckoned, in consequence, to be suggesting to Quilters in a gentlemanly way three bases on which a compensatory sum might be paid over to Hedderwicks. On which

## Splinter group

The British Woodworking Federation is not allowing fastidiousness to obstruct its search for trade openings. Its representatives will, according to a Press release, "meet the Chief Co-ordinator of the Crown Agents Disaster Relief Organisation, to discuss the possibility of setting up consortium arrangements to pursue export opportunities after disasters abroad."

"The meeting follows submissions, made by the BWF to the Minister for Trade earlier this year, after the earthquake disasters in Algeria and Italy. BWF members felt that there was a clear need for better co-ordination and information so that British exporters could play their full part in meeting the exceptional demand situations (sic) whenever they arise."

## Pommes deterred

Crime writers looking for a new "angle" might do worse than check out Rostov province in southern Russia—where the police have started arresting potatoes. Imagine the scene: "Cripes—it's the peelers!"

"Come quietly, mate, or you'll end up in the casserole sharpish. I want your name, breed, price per kilo and field of origin. And don't try any funny stuff. The one we picked up last night claiming to be King Edward got pretty badly sautéed while resisting arrest. Understand?"

The hapless potatoes knew that, once inside the station, they would be ruthlessly grilled until they spilled the beans . . .

Not of course that the story was quite like that—particularly the way *Investia* told it. According to the Russian newspaper, complaints have been received from Rostov citizens to the effect that the local police are impounding potato shipments on the order of the district council chairman, and enforcing sales to the state at a fraction of the private market rate. Still, it was a nice idea.

## Taylor-made

It may not be in quite the same league as the £50,000 award proposed by Sir James Goldsmith for investigative reporting. But a £10,000 prize from the City is not to be sneezed at, particularly when it might well equal a year's salary for one of the younger entrants.

The money is being offered by insurance group Willis Faber for improving manufacturing effectiveness in British industry. No one needs to know calculus to get this one, says Sir Philip Foreman, managing director of Short Brothers of Belfast, and one of the guiding spirits behind the scheme. "We're more concerned with success than with qualifica-

tion." It could in principle be won by an accountant "if he showed that he had had enough influence."

Why Willis Faber? "We're one of the biggest insurance brokers in the City, with a lot of engineering clients—BL, GKN, Lucas, Westland," says chairman Ronnie Taylor. "We are at least prosperous at the moment, which many of them are not."

## Figuring it out

What, they are asking in donish Oxford, is an economist? Answer—a man who cannot see something working in practice without asking himself whether it would work in theory.

## Observer

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## Observer

## FINANCIAL TIMES SURVEY

Monday October 5, 1981

هكنا من النحل

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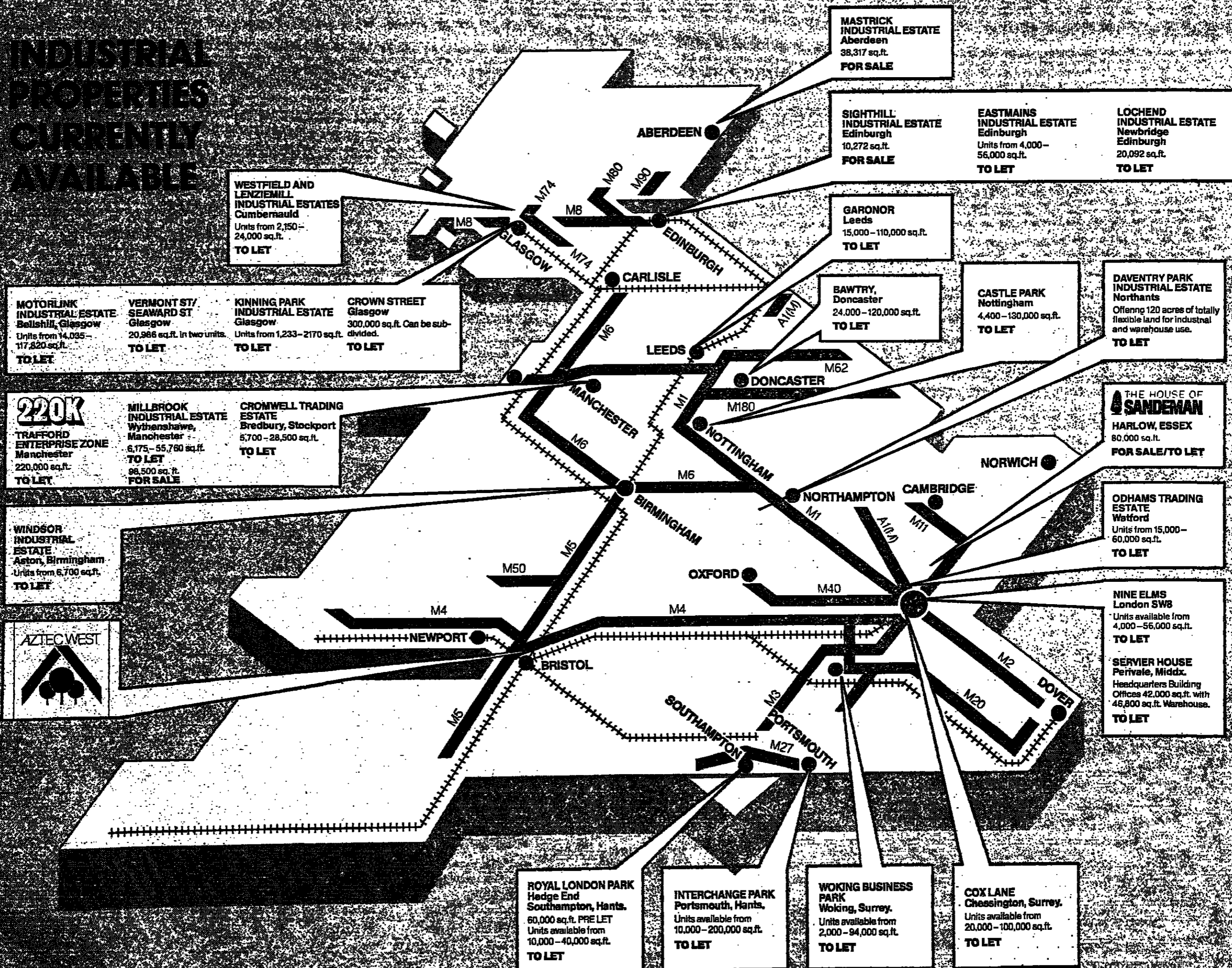
## Industrial Property

The demand for prime industrial properties has continued to hold up reasonably well, despite the recession. The changing pattern of demand for different types of accommodation has led the industrial property market to believe that it could move relatively quickly out of the doldrums once the national economy starts to revive.

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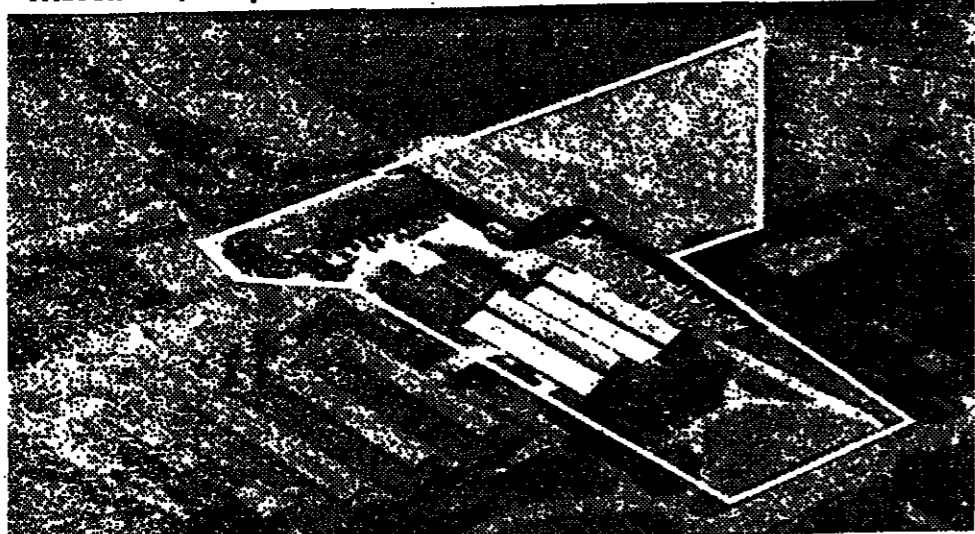
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## Little hope of an early recovery

THE OUTLOOK for the industrial property market—like many other sectors of the British economy—moved deeper into shadow last month as the world stock markets sounded a general retreat against a background of rising international interest rates.

Hopes for an early recovery in real industrial property values as the British economy moved out of a period of massive destocking and demand for new and more efficient premises increased, appear to have receded amid the pessimism.

The amount of vacant industrial space now on the UK market is even greater than during the darkest days of the property collapse. The prospects of a renewed surge in interest rates, and an international credit squeeze may increase fears of more company failures and factory closures.

The rate at which the total amount of empty industrial space has been rising may have slowed since the shake-out last winter, but there is no sign yet that this total is likely to fall in the coming months unless there is a real improvement in the economic climate.

As a result, industrial rents, which in many parts of the country have seen little or no growth since the first quarter of last year, may be expected to see little real improvement until next spring at the earliest.

Even rents for new well-located premises—on greenfield sites near motorways—may be hard-pressed to match projected movements in the rate of inflation in the next few months.

Even so, demand for prime industrial properties has continued to hold up reasonably well despite the recession. The causes can be found in long-term changes in the pattern of the UK economy—with greater emphasis in investment in new high technology and service industries as labour-intensive heavy engineering and manufacturing decline.

It is this changing pattern of demand for different types of accommodation that has led the industrial property market to believe that it could move relatively quickly out of the doldrums once the national economy starts to revive.

This analysis may help to explain why new industrial building development has remained relatively buoyant and has only, in the past six months or so, begun to turn down in the face of the recession elsewhere in the industrial property market.

The graph by the industrial

estate agents King and Co. shows the level of new industrial space under construction in England and Wales peaking at the end of last year at 17.4m sq ft. By August this year the total had fallen to 15.6m sq ft, still substantially higher than the 13.4m sq ft under construction in December 1979.

Discrepancy between the lower figure in December 1979 and the still high level of industrial building cannot entirely be explained away by the traditional time-lag between a scheme being conceived during a period of rising industrial rents and actual development work being overtaken by a subsequent recession.

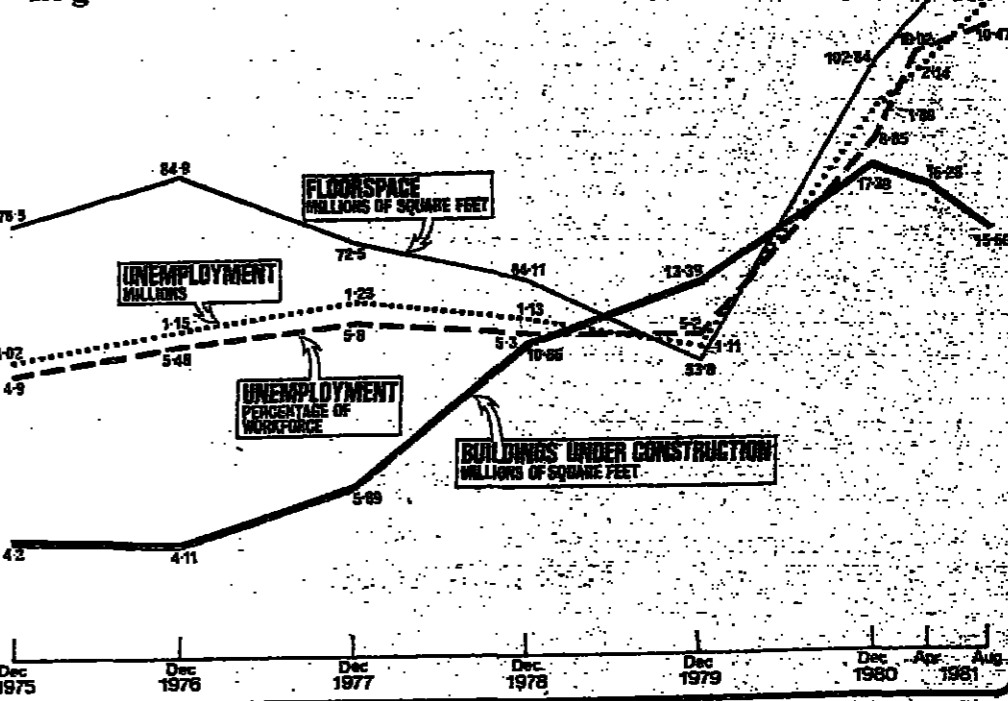
There appears to be a genuine belief among some developers and investment institutions that demand for modern well-designed property in good locations will expand rapidly as the recession comes to an end and industry and commerce seek more efficient premises.

But with interest rates rising and the hopes of an early end of the recession apparently receding the current activity in new building is clearly abating.

It remains unlikely that the current pace of new development—outside areas like the relatively prosperous South East—will be kept up much longer. Already there are signs of new development starting to fall more steeply in some of the more hard-pressed regions like the West Midlands.

By comparison, King and Co.'s survey shows the quantity of new industrial floor space under construction in the South East continuing to rise, albeit

## RELATIONSHIP BETWEEN AVAILABLE FLOORSPEACE AND UNEMPLOYMENT (England and Wales)



must be the country's economic performance and outlook, especially in manufacturing. Most forecasters do not expect to see any marked improvement in industrial output before the end of this year, and recovery, when it does arrive, is unlikely to be rapid.

It would therefore be unrealistic to suggest that the short-term performance of the property market will be anything but sluggish.

The graph shows how the amount of available industrial space in England and Wales has continued to increase with rising unemployment. At mid-August it was estimated that there was just over 137.5m sq ft of empty factory and warehouse space on the market compared with 102.8m sq ft at the same time a year ago.

Rental growth nationally has generally been very slow and in some areas non-existent. As in any recession there have been notable exceptions. In parts of the South East—especially to the west of London—top rents of more than £4 a sq ft have been regularly achieved.

The table compiled by Grant and Partners shows how rental movements over the past year have varied in different parts of the country.

The main area of long-term concern for the property market and the country generally is the future of the vast amounts of older factory space put on the market, much of which is unfit for modern production techniques. Some of these buildings seem destined to remain in a state of decay for years.

Some major manufacturers which have closed factories, like Guest, Keen and Nettlefold, have been looking into ways of encouraging new generations of business to take space in their former premises by offering management help and advice. But schemes like these can be effective only on the margin of what seems likely to remain a serious long-term problem.

Two-thirds of the industrial space now on the market is estimated to be at least 10 years old while some multi-storey

able hopes of realistic return on their money to justify the risks they are unlikely to pursue developments for marginal planning and tax incentives.

Docklands and some of the new enterprise zones still have to pass this test.

Private enterprise has so far reacted favourably and some of the enterprise zones—in particular have reported a fairly high level of demand. But a good deal of this currently appears to have come from companies moving from no more than 15 miles away from zone boundaries.

In the short-term it would appear that the industrial property market still has a rocky road before it. But there are isolated areas where prime industrial rents for modern premises will continue to outperform rents elsewhere in the country.

Falls in some rentals have in some instances been masked by an increase in the number of special deals offered to tenants, such as prolonged rent-free periods and even capital payments.

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## MARKET

## TRENDS

ANDREW TAYLOR

more slowly. At mid-August industrial buildings under construction in the South East stood at 7.7m sq ft compared with 6.8m sq ft four months earlier.

There are, however, other reasons why new industrial building activity in England and Wales may not have slowed as much as might have been expected, given the prevailing economic conditions.

The reasons can be found in the improved capital tax allowances provided on new industrial development schemes, especially for small "nursery factories."

But the 100 per cent capital allowances on industrial units of less than 2,500 sq ft has caused some concern. There are fears that some private investors may be persuaded to pursue schemes on the basis of short-term tax gains rather than on normal long-term property investment criteria.

Already some agents on Merseyside say there is a real danger of an over-supply of nursery units in the area.

The Government's decision this year to allow 75 per cent capital allowances on other industrial units—providing in effect a first-year allowance of 75 per cent—may also have assisted new development and encouraged some developers to go ahead with marginal schemes.

But the ultimate regulator for the industrial property market



The building of advance factories for rent or sale before having a purchaser has developed into one of the most important aspects of successive governments economic policy for the regions. Above: typical advance factory units, built by Redditch Development Corporation at North Moors Moat Industrial Estate, in the West Midlands. The units are each of 3,875 sq ft with parking facilities at the front and separate service yards at the rear

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# Further ominous signs on the horizon

IT WOULD be hard to imagine a more unfavourable economic climate for the industrial property sector than has been experienced in the past year.

Yet in the past few weeks there have been ominous signs that conditions could get still worse before they start to improve.

After the unprecedented decline in manufacturing output endured over the past two years hopes were rising in the summer that the recovery from recession might be rather stronger than many forecasters had expected. As sterling fell on the foreign exchanges, pay settlements declined and productivity recovered much more sharply than in previous recessions, industrial confidence began to recover.

It is suggested that the precipitous fall in investment, including industrial property investment, that had occurred during 1980 might prove to be relatively short-lived.

However, as the decline in sterling began to get out of hand early in September the Government was forced to take further restrictive monetary action. The increase in interest rates initiated by the Bank of England on September 14 could intensify the squeeze on the industrial property sector in two ways: directly through financing costs and indirectly, by threatening to nip any recovery in industrial investment in the bud.

The scale of the potential change is indicated by comparing the year-on-year fall of 19.5 per cent in manufacturing investment to the fourth quarter of 1980 with forecasts for 1981 and 1982. The stockbrokers Phillips and Drew forecast early in September that the rate of fall would be reduced to 2.8 per cent by the fourth quarter of this year and by the fourth quarter of next year investment in manufacturing would be 5.8 per cent higher than a year earlier.

It is interesting to note how forecasts of manufacturing investment improved steadily through most of this year, as sterling declined, interest rates fell, output began to bottom out and confidence showed signs of recovering.

For example, the National Institute of Economic and Social Research, which is not

noted for its optimism about the prospects of success for the Government's economic strategy, revised its forecasts of manufacturing investment upwards in each of its quarterly reviews this year. In February it was expecting a year-on-year fall in manufacturing investment of no less than 22.4 per cent by the fourth quarter of this year, followed by an increase of only 3.1 per cent in the year to the fourth quarter of next year.

In May these forecasts were revised to 16.0 per cent and 4.6

## THE ECONOMY ANATOLE KALETSKY

per cent respectively and by August to 11.6 per cent and 6.4 per cent.

Time will tell whether the forecasts will have to be revised downwards because of the renewed squeeze on the economy in defence of sterling. It will be impossible to gauge the magnitude of this threat for some time, since the volatility of currencies and international interest rate movements is such that the trend in domestic interest rates could turn in either direction at almost any time.

The impact of industrial confidence takes even longer to become apparent and the lags between changes in industrial optimism and changes in investment volumes is obviously long and variable.

Yet this is perhaps the most important issue determining the health of the industrial property sector at present, since the turn-round in manufacturing investment forecast by economists in the summer would overshadow most other influences on the sector.

Important as the precise turning point in the investment cycle may be, there are still other major factors affecting industrial property deriving partly from the changes occurring in the world economy and partly from the particular strategy the Government is following. Two major long-term changes are being made in the

structure of the economy which may well alter past relationships between the volume of investment and the demand for factory and warehouse space.

The first is the move away from manufacturing towards services and distribution and away from domestic manufacturing towards imports. Over a long period it is likely that the value of any given volume of manufactured goods will consist of a diminishing degree of the production costs and to a greater degree of the costs of design, retailing and other high added-value services.

This in itself tends to reduce the relative importance of manufacturing in the total added-value produced by the economy. In turn it is bound to affect the share of this added value that manufacturing companies can spend on factory rents.

As a result of Government policies which gave absolute priority to the attempt to reduce inflation by control of the money supply at a time when North Sea oil was transforming the balance of trade there has been an unprecedented appreciation in the real exchange rate of sterling; and in inflation-adjusted terms this appreciation has not nearly been reversed even now.

The result has been a fall of 18 per cent in manufacturing output in the two years to mid-1981, compared with a fall of only about 7 per cent (the precise figure is not yet known) in the gross domestic product. Much of this shift is unlikely to be reversed. The already perceptible trend towards greater international specialisation has been greatly reinforced by the sudden jump in the exchange rate.

Over a longer period, the

movement of manufacturing towards countries with low unit costs, due either to low wages or to exceptionally high productivity, would have been irresistible in any event.

Britain's rapid transformation from a manufacturing to a service economy is bound to have major implications for property demand stretching well beyond the more obvious impact of the present economic disruption.

But even looking at the manufacturing, service and distribution sectors separately, there is another underlying trend which may be of great consequence for property investors. It is now widely argued among economists that the nature of investment in the next few years is likely to be fundamentally different from the patterns established in the 1960s and early 1970s.

Sooner or later, as the world begins to heave itself out of economic recession, there will probably be a major boom in capital investment. But the need will not be to increase the total amount of capital in Western economies. Rather it will be to replace capital that has been made prematurely obsolete by changes in energy prices and in the balance of economic activity between the developed and the developing countries and by the further advance of technologies based on microelectronics.

At the very least such a structural economic change is likely to lead to the ending of past relationships between investment in plant and investment in industrial buildings. More broadly, it may mean that specialised industrial buildings become increasingly risky propositions compared with buildings offering flexibility of potential uses.

This change in investment interest has already been apparent for several years in the relative valuation of factories and warehouses.

In the longer run, technological advances could lead to changes in the nature of work and economic activity which will mean that commercial and industrial property decisions may require the same kind of detailed and specialised knowledge as investment in industry directly.

## RENTAL GROWTH

Location	Rent in June 1980 per sq ft	Rent in June 1981 per sq ft	Percentage increase
London Airport	£3.00	£3.25	8.3
South West London—Inner (eg Wandsworth, Nine Elms)	£3.25	£3.60	7.5
South West London—Outer (eg Mitcham, Merton)	£3.10	£3.25	4.8
South East London—Inner (Bermondsey, Camberwell)	£3.00	£3.25	8.3
East London	£2.25	£2.50	11.1
North London—Inner (eg Kings Cross, Camden)	£3.50	£3.60	2.8
North London—Outer (eg Wood Green, Haringey)	£2.85	£3.00	5.3
North West London (eg Park Royal, Brent)	£3.10	£3.25	4.8
West London—Inner (eg Fulham, Hammersmith)	£3.75	£4.10	9.3
Woking, Surrey	£3.25	£3.30	1.5
St Albans, Herts.	£2.85	£3.00	5.3
Chelmsford, Essex	£2.55	£2.65	3.9
Basingstoke, Hants.	£2.25	£2.50	11.1
Leamington, Leics.	£2.25	£2.30	2.2
Swindon, Wiltshire	£2.00	£2.30	15.0
Ipswich, Suffolk	£1.75	£1.75	Nil
Colchester, Essex	£1.80	£2.00	11.1
Maidstone, Kent	£2.00	£2.25	12.5
Tunbridge Wells, Kent	£2.25	£2.50	11.1
Reading, Berkshire	£3.00	£3.20	6.7
High Wycombe, Bucks.	£2.50	£2.90	16.0
Crawley, Sussex	£2.85	£2.95	3.5
Southampton, Hants.	£2.10	£2.25	7.1
Birmingham, W. Midlands	£2.10	£2.25	7.1
Coventry, W. Midlands	£1.95	£1.95	Nil
Stoke-on-Trent, Staffs.	£1.50	£1.50	Nil
Leicester, Leics.	£1.80	£1.80	Nil
Nottingham, Notts.	£1.85	£1.95	5.4
Cardiff, Glamorgan	£1.75	£1.85	5.7
Leeds, W. Yorks.	£1.85	£2.00	8.1
Bradford, W. Yorks.	£1.40	£1.55	10.7
Manchester	£2.00	£2.00	Nil
Newcastle	£1.50	£1.75	16.7
Gloucester	£1.90	£2.25	18.4
Exeter, Devon	£1.85	£1.85	Nil
Glasgow, Lanarks.	£1.60	£1.60	Nil

### SUMMARY

Average percentage increases over 12 months

	1979-80	1980-81
In London	11.2	6.9
In London & Home Counties	13.1	7.7
In the Provinces	18.0	5.7
Overall	15.9	6.7

Source: Grant and Partners

## Good start for new enterprise zones

THE GOVERNMENT'S new-style enterprise zones appear to have set off on a solid enough start—although reservations remain among developers and property investors about the long-term effectiveness of the zones and the impact they may have on surrounding property rents and values.

These with schemes inside one of the 11 zones planned—or with developments about to get under way—are delighted with the response so far shown by prospective tenants. Less pleased are those with schemes outside the zones' boundaries. Some of these are having to lower rents to counter the attractions of the new zones.

The philosophy behind the establishment of enterprise zones can be found in a series of key speeches by Mr Michael Heseltine in which the Environment Secretary has repeatedly warned of the danger of private investment and development being stifled by a mass of bureaucratic and planning controls—both at local authority and Government level.

It is in a bid to remove some of these constraints that the Government has this year created its new zones, each no more than 500 acres in size and offering a wide range of incentives including:

- Exemption from development land tax.
- Exemption from industrial and commercial local authority rates.
- Provision for 100 per cent capital tax allowances on all commercial and industrial buildings.
- Simplified and less restrictive planning procedures.
- Improved customs procedures.
- Exemption from the need for industrial development certificates.
- Exemption from Industrial Training Board requirements.

The Government has stressed that its zones are no more than an experiment which, if successful, may be repeated elsewhere. Under the new legislation the incentives will last for a period of 10 years.

Eight of the zones are already in operation, three more—at Hartlepool, Belfast

and the Isle of Dogs in London's docklands—are due to start by early 1982.

A recent exhibition in London to publicise the various incentives and advantages offered reported that there was already strong interest among firms seeking to locate within the boundaries of one of the new zones.

The Swansea enterprise zone claimed that 19 companies have moved into its area since the boundaries of the enterprise zone were announced. A further 14 companies are expected to move into the area shortly and another 20 companies are in the process of negotiating to take space inside the zone. In total, the new enterprise zone has received more than 300 inquiries from prospective tenants.

Elsewhere, Wakefield has reported that three or four factories which had remained vacant for several years have now been let while Corby said that a third of the industrial and commercial space in their enterprise zone is now under negotiation.

that around 45 companies have either moved in or are expanding within the new zone in their area. Around half the firms are new to the zone.

Not everybody is so happy with the new scheme, however. Critics of enterprise zones say that studies at Swansea and the Old Trafford zone, near Manchester, show that a large proportion of firms moving in are relocating from areas just outside the zone. This has reinforced fears that some of the areas surrounding zones will eventually become blighted.

At least one developer has reported that land values within the Swansea zone have doubled since the boundaries of the zone were announced.

Some significant differences have also emerged between rents being charged inside the new zones and those in neighbouring areas. In the case of Trafford Park, this is because rents outside the zone have fallen, rather than because landlords are seeking to take advantage by raising rents inside the zone.

ANDREW TAYLOR

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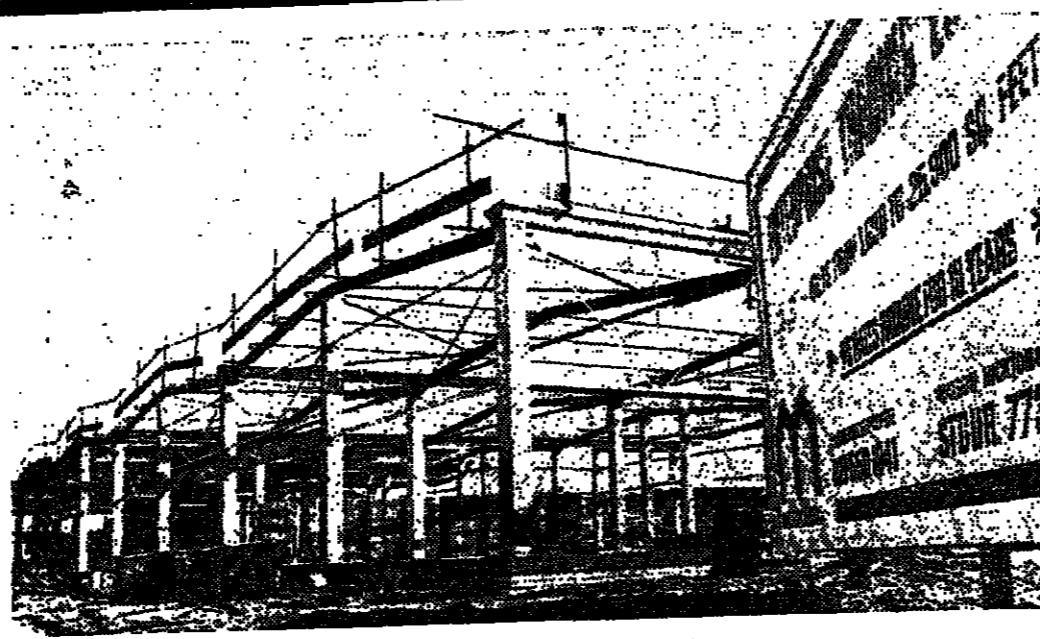
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## INDUSTRIAL PROPERTY IV



## New life in Dudley

The first signs of new life in the Dudley enterprise zone in the West Midlands as concrete frames go up at the Mucklous trading estate. The development at Pedmore Road, Dudley, will provide more than 173,000 sq ft of factory and warehouse accommodation in units from 1,500 sq ft to 60,000 sq ft, which will be exempt from rates for at least ten years.

## Vast amount of industrial space still being developed

GROWING SUGGESTIONS that the industrial property sector has finally turned the corner and that an improvement in the lettings market will soon be on the way need to be kept firmly in perspective.

That perspective comprises much available industrial and warehouse floor space totalling nearly 140m sq ft, a high level of development on the way, an economy showing few signs of revival, and an industrial sector which, having begun a painful slimming course, is not about to put weight back on.

While some agents suggest a genuine prospect of an improvement in demand towards the end of this year and then throughout next year, others claim that many industrialists will—on their own admission—be unable to sustain even current activity levels, along with space requirements, unless business improves quickly.

The present state of affairs represents the culmination of a wave of development activity which was encouraged by the buoyant demand, rapidly rising rents and a series of measures designed to provide incentives for developers and investors. But, as has happened before, inevitable delays in the development process meant—even in the industrial sector, where building periods can be short—that by the time the new space was available there were fewer potential owners and tenants wanting accommodation. The vast amount of industrial space being developed—significantly higher than during the mid-1970s—is at least partly explained by the growing involvement of the institutions in this sector of the property market.

The wish to balance investment portfolios and a growing awareness that selective investment in industrial-warehousing schemes, which provide well-designed and well-located accommodation, could offer respectable returns brought the insurance companies and pension funds into a market which had not been high on their list of investment options.

The institutions have characteristically concentrated on prime locations and built only the best floor space. Their belief, shared by the major

industrial property development groups, is that the "blue chip" space will generally secure tenants at any stage in the economic cycle.

The recently announced lettings on some major schemes (like Electricity Supply Nominees' Aztec West at Bristol and Wimpey-Legal and General's Wincersh Triangle near Reading) would seem to confirm that view.

The big institutional developers can always contemplate extended void periods if necessary, however. It is not a prospect any developer likes, but the funds are able to wait for market conditions to improve rather than to reduce rents and, consequently, hit capital values.

But it would be wrong to assume that the industrial development market is generally dead. Indeed, the South East has remained largely insulated from the recession, although some of the traditional industrial locations in the London area itself are now suffering from oversupply.

In many other parts of the south, however, demand for well-positioned industrial land is as fierce as ever and interest from tenants is being maintained.

The long-awaited completion of the M25 London orbital motorway may in some places increase that demand. Some observers believe the road, due for completion by 1986 and now partly operational, will completely alter the pattern of warehousing in the South East.

A report by Nathaniel Lichfield and Partners suggested that since warehouses for regional distribution have to be located close to motorway connections—hence the present popularity of places along the M4 and M40—much inner London warehousing will have to be relocated along the M25.

As a result, towns like Grays, Dartford, Dagenham and Redbridge are likely to become important distribution centres, while a levelling out of warehousing values—rather than the existing concentration on prime property to the west of London—will occur right around the new orbital motorway.

The area between the existing motorways to the west of

London is already benefiting from an unequalled communications network, and buoyant demand by tenants is still being reported, especially from high-technology companies—many of them foreign—for accommodation of all sizes.

Elsewhere, however, the pattern is nothing like as bright and the gap between the provinces and the south-east, in terms of lettings and achievable rents, has again been growing. In a pattern which broadly reflects the widely differing economic experiences between north and south, both the north and the Midlands have seen mounting surpluses of space become available after rationalisation programmes and

### THE PAGE OF NEW DEVELOPMENT

MICHAEL CASSELL

closures, turning once-thriving property markets into major problem areas.

The Midlands has probably experienced the most dramatic decline of all. Many development plans centred on closed industrial complexes have been shelved until the available space has started to dwindle and the prospect of some form of rental income returns.

The gap between North and South is clearly reflected in rents—the key to viable development—and while prime warehouses in the South East can still command rents of £3.50 to £4 sq ft, modern industrial estate property in Manchester or Birmingham can expect figures of little more than £2.

It is still possible to acquire large new premises in Manchester for about £1.85 sq ft and with building costs at anything up to £17 sq ft, professional fees, interest charges and other related costs, any present-day development appraisal will show a loss even if land can be bought very cheaply.

So the emphasis remains on clearing the huge supply of existing floorspace. The agents Grant and Partners suggest that

a number of locations, particularly in the North, must now face the fact that without major transition they will no longer be chosen by companies in the new generation of industries.

The agents also point out that development area grants no longer seem to attract industrialists to areas of political strife. Northern Ireland and Merseyside, for example, are unacceptable to both expansion-minded companies and industrial property developers.

Throughout the country the surplus of space has seen the re-emergence of the familiar incentives for potential occupiers and estate agents, including prolonged rent-free periods, double-scale commission and, in respect of properties intended ultimately for investment sale, capital payments to incoming tenants in exchange for higher starting rentals.

The oversupply of industrial-warehousing space will not be swept away by a tide of incentives even when the economy turns up, however. There is a growing acceptance that, whatever the economic health of the nation, a large proportion of the floor space now available is simply unsuitable for industry's present needs and will probably never be occupied.

According to King and Co., about two-thirds of all the industrial floor space on the market is over ten years old and much of it is obsolete. The agents have followed up this observation with a proposal that consideration should now be given to finding an acceptable incentive to encourage developers to demolish old industrial buildings.

King and Co argue that the continuing existence of such large amounts of unsuitable space could represent a drag on the country's industrial base and say that while allowances exist to stimulate new building there are no incentives to demolish except when developers can capitalise on high land values.

The suggestion is that incentives could be based on a multiple of the rateable value or funds allocated specifically for this purpose for a trial period to a small, expert team which could acquire, demolish and develop with private sector co-operation if necessary.

If demolition is to become a growing pre-requisite to new construction—which the Government is anxious to encourage—should not incentives to demolish as well as to develop be a matter for further consideration?

## Institutional interest remains strong

THE MASSIVE oversupply of industrial floor space now lying idle throughout Britain could be thought sufficient cause for the potential institutional investor to steer well clear of this sector of the property market.

Although, in isolation, the statistics concerning available supply and prevailing demand for industrial accommodation may make fairly bleak reading, the investor should look closely at the facts and figures available.

Most of the institutions are by now firmly committed to the principle of using commercial property as a major investment option, and their failure, in many cases, to establish portfolios with the level of property exposures generally regarded as desirable has been a matter of constraints on the supply of suitable buildings rather than misgivings about the property sector's viability.

Past performances—now being measured and evaluated against alternative investment vehicles more accurately than ever before—are no sure guide to future potential, but most funds are confident that property's role in this respect is now secure.

Within the property market as a whole the institutions have traditionally been much more interested in the office and retail sectors, and it is really only since the mid-1970s that the industrial market has emerged as an option in its own right.

Not surprisingly, the insurance companies and pension funds have approached the sector with the same basic

principles and guidelines which they adopt in respect of all their investments—ready only to contemplate prime space in top-quality locations. In consequence, the impact on their investments of the market's current difficulties has been limited.

For there is no doubt, as development groups like Slough

### INVESTMENT

MICHAEL CASSELL

Estates will readily endorse, that strict adherence to high standards provides an effective cushioning when market conditions get rough. Those conditions have certainly changed since the fashionable wave of investment in industrial property—aided and abetted by government-inspired incentives—got into full swing.

The institutions' long-standing reluctance to become too deeply involved in industrial property (essentially warehousing rather than factory space) has gradually been broken down and their new-found interest has coincided with the arrival of many smaller investors intent on maximising the tax advantages available through the provision of industrial buildings.

The rush to develop nursery units, championed by the English Industrial Estates

Corporation and joined by banks and pension funds alike, has also involved large numbers of private or small-scale investors who are more concerned with their own financial positions than with providing the nation with premises designed to nurture new enterprise.

There is evidence to suggest that in their enthusiasm to develop the investor may have temporarily lost sight of the market, and in some locations, particularly the Midlands and the North, an over-supply appears to be emerging. The difficult market has wiped out many rent expectations and the premiums for small units have in many industries become marginal.

During the year, industrial building allowance provisions were modified, bringing the level of allowance available on buildings in excess of 2,500 sq ft more into line with those available for nursery units.

The reduction in the allowance differential has been widely expected to take some of the heat out of the nursery unit sector. But some agents believe that the margins remain wide enough to maintain interest, while many investors could not in any event consider the scale of investment required further up the development scale.

The need for personal tax shelters may well maintain the impetus, although close consideration of future schemes will be more important than ever. The "risky" status of nursery unit tenants—one of the

CONTINUED ON NEXT PAGE

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## INDUSTRIAL PROPERTY V

## Wide range of inducements for new businesses

THE BRITISH businessman is in an enviable position. Whether he is seeking to set up operations for the first time, move to a new centre or put in new plant and machinery, the range of inducements on offer is larger in this country than almost anywhere else in the world.

It was, therefore, not surprising that when Nissan was thinking of building a car factory in Europe, its first choice should have been Britain. Nor was it surprising that Ford chose to go to Bridgend in South Wales rather than Spain when it decided to build a new 2300m engine plant four years ago.

Whether the company is a multinational or a one-man business started by someone looking for an investment for his redundancy money, the carrots in the form of industrial incentives are very good in the UK.

These carrots, though best in the assisted areas, are available in some form throughout the country. In some parts of the country excellent help is offered by local councils, Government-sponsored agencies and others to make the transition from one place to another that much easier.

The attractions of an assisted area will continue to be of considerable interest to a company even though this Government has made changes in the basis on which it is granted.

When the Conservatives came to power in 1979 one of the first things that the then Secretary for Industry, Sir Keith Joseph did was to redraw the map of assisted Britain. Instead of half the country receiving help of some sort, help was concentrated where it was thought to be most needed.

At the same time, Sir Keith widened the gap between what could be obtained in special development areas (those parts which have the greatest Government assistance) and in other areas. This he did by reducing the level of help in the development areas. As a further step he insisted that selective help should only be given if it could be shown that an investment would not go ahead without that assistance.

The result of these changes is that from August next year assisted areas will cover a quarter of the employed population and probably a little less than a quarter of the country geographically. Meanwhile, certain interim arrangements are in force.

Special development areas, generally to be found in central Scotland, Merseyside, parts of North Wales and two areas of South Wales, part of Cornwall and around the Tyne and Wear in the North East, continue to be eligible for the maximum grants for new plant, machinery

and buildings in manufacturing industry. The rate here is 22 per cent for new buildings and for new plant and machinery.

In the development areas the rate of grant for both these categories has been reduced to 15 per cent from the previous 20 per cent. The number of such areas was not changed greatly by Sir Keith, though minor alterations were made to boundaries.

The greatest change was made in the intermediate areas, the lowest category with assisted status. Some grants were previously available in these parts but now the grants have been ended and the geographical areas severely curtailed.

It might be wondered, if this has happened, why the intermediate areas need have been retained at all. The answer is that to obtain Common Market grants it is necessary for a project to be in an assisted area.

So some intermediate areas, such as parts of North Devon, Humberside, Lincolnshire and

## GRANTS AND INCENTIVES

BY A SPECIAL CORRESPONDENT

Northumbria have been retained within the assisted network in order that projects can tap the resources available in Brussels.

Northern Ireland is in a different position. Its rates of grants are generally higher than those available elsewhere in the UK and are almost certainly the highest in Europe.

A survey undertaken by Plant Location International three years ago showed that, in general, only the package available in Eire and, occasionally, in Italy came anywhere near that on offer in the UK, and that the inducements in Northern Ireland were on the whole the best.

On top of the mandatory assistance it is also possible for concerns, whether within or without an assisted area, to receive selective assistance. At one time officials would use rather loose criteria in determining such help, but now the rules have been tightened and each application is examined rather more rigorously.

However, there are grants towards the fixed and working capital costs of projects in the mining, manufacturing and construction industries. There are special grants for office and service industries and there are in-plant training grants so long as the project concerns at least 25 jobs in a special or development area.

Most of the selective assist-

ance is aimed at firms locating within the assisted areas, but the Government has a get-out clause whereby it can aid a concern in a non-assisted area through Section 8 of the 1972 Industry Act. This clause has been much used.

Both Scotland and Wales have development agencies which complement the work undertaken by Government departments. They are in a position to give financial assistance but much of the thrust of their operations is towards complementing Government policy rather than supplementing it.

These two bodies also work closely with other agencies that have the ability within specified areas to meet rather different needs. In Wales, for instance, most of the central part of the country is provided for by the Development Board for Rural Wales, based in Newtown.

In Scotland the Highlands and Islands Development Board, with its headquarters in Inverness, looks after an important segment of the country which, incidentally, extends to the south of Glasgow.

Much of the work of the agencies and their associated boards lies in providing advance factories. It has been estimated that the provision of a ready-made factory is one of the most important weapons in the Government's armoury of assistance.

In Wales, for example, there were 401 factories under construction at the end of March, the close of the WDA's financial year, and these accounted for 2.4m sq ft of space. During the year 1980-81 the agency completed 96 factories of 664,000 sq ft.

Until the onset of the recession most advance factories were quickly snapped up. The average proportion of empty factories to completed buildings was between 5 and 7 per cent. That has inevitably diminished as trading has become more difficult, but the availability of a factory tailored to a company's needs remains an important economic incentive.

In some parts of the UK there are also extra inducements if an industrialist goes to an area where a steel plant has closed. In parts of the North East, central Scotland, around Shotton in North Wales, parts of South Wales and in Corby there

is special assistance towards the training of redundant steel workers, advice and support with consultancy study from BSC Industry, and loans from the European Coal and Steel Community for up to half the capital costs of projects.

On top of all these the Government has in the past 18 months begun an experiment with enterprise zones in 11 major cities. Enterprise zones are areas where local authority regulations are kept to a minimum, planning decisions speeded up and a number of financial incentives offered.

These incentives include a 10-year rates holiday, 100 per cent allowances on new commercial and industrial buildings, and the abolition of development land tax.

Enterprise zones have been set up with an eye on the need for regional balance. One each has been designated in Scotland, Wales and Ireland (Clydebank, Swansea and Belfast respectively) with the Isle of Dogs on the Thames as the sole representative in the south of England.

Five of the other sites are in Wakefield, Hartlepool, Speke, in Liverpool, Corby and Dudley, while two zones straddle the borders of two local authorities—Newcastle and Gateshead in the North-east and Salford and Trafford in Greater Manchester.

These zones have already aroused investment interest and shown how an area might be rejuvenated even without traditional regional incentives.

Even this is not the end of the aid available in the UK. Companies wishing to set up in country areas may get assistance through the Development Commission, which has headquarters in Salisbury. One of the Commission's main arms, the Council for Small Industries in Rural Areas, also offers a variety of assistance schemes.

Then there is the English Industrial Estates Corporation, which, from its Gateshead base, builds advance factories and underwrites some of the work for England that the Welsh and Scottish Development Agencies do for their respective countries.

This is a formidable armoury of agencies and aid that few other countries can match.

## Institutions

CONTINUED FROM PREVIOUS PAGE

factors which has militated against institutional involvement—has led to a wide variety of lease provisions designed to protect the investor.

These include items like index-linked rental adjustments combined with open-market reviews in places where occupiers wish to determine their lease at relatively short notice. In this way rental growth can compensate for void periods. Deposits as security for lease covenants are also a growing feature of nursery unit tenancies.

Grant and Partners, industrial property agents, also point out that insurance companies are at last having greater regard to the importance of industrial building allowances involved in more traditional industrial estate developments.

Previous years have shown that the insurance groups (as opposed to pension funds with no tax advantage) tended to disregard the availability of allowances in development transactions involving forward purchases.

These companies have entered into forward commitments with developers to acquire factories and warehouses as and when they are completed and let and, unless these funds happen to complete the purchase of each unit before the tenant moves in, this particular procedure has amounted to foregoing an available benefit.

The agents say: "Those involved with insurance company acquisition in the industrial sector should be fully aware that the entire building cost element can be written off against profits if, and only if, the building is new and unused at the date of acquisition."

But how much more reluctant will developers of all types now be, given the state of the market? The recession, in provoking a massive programme of rationalisation and space-shedding, has knocked a hole through the industrial lettings market which will not easily be patched up.

Average rental growth has slowed to a snail's pace (around 2 per cent over the past 12 months against 20 per cent in the previous year), there is vacant floorspace in most regions, the supply of new accommodation has reached historically high levels, and there can be little hope of any improvement in the sector's fortunes until the usable surplus is well on the way to being taken up.

Despite the immediate problems, however, the prime industrial investment market's underlying strength has re-

mained intact. Many empty factories and warehouses there may well be, but a detailed appraisal clearly shows just how little of that floorspace is unlikely ever to find another occupier.

Modern, well-designed buildings have tended to provide an altogether more buoyant picture with capital values remaining firm and yields staying unchanged at a little over 6 per cent since early 1979. Prime industrial yields have been sinking since 1976 and, despite the current state of the overall market, they show no sign of starting to move in the opposite direction.

The institutions therefore appear to be happy to contemplate further extensive involvement in a market which may be over-run with a crude surplus of accommodation but leaves a great deal to be desired in terms of standards and efficiency. More than ever, selectivity will be the keynote. Inevitably, their attention is centred on the South-East, in particular the area to the west of London, where light manufacturing and distribution services appear to be fighting off the worst effects of the recession.

The shortage of suitable standing investments has encouraged the funds, as in other sectors of the property market, to develop (either alone or in partnership) their own industrial estates. The volume of pre-letting which some schemes are attracting seems to confirm the theory that top-quality, well-located space will always find a tenant.

Development and land costs in the South-East are high, but with rentals touching £4/sq ft or more in some locations, schemes are viable. Lengthy voids may be undesirable, but the institutions can at least carry them if necessary.

But perhaps the institutions should now be looking at some of those areas which seem, at first glance, far from attractive.

While it is still possible to lease new industrial space in some provincial locations for under £2/sq ft, when demand picks up and units become scarce there could be substantial rental improvements.

From an institutional investment point of view, therefore, there are strong reasons for suggesting that an industrial investment in centres like Manchester, Leeds or Nottingham is likely to show substantially more growth over the next five to 10 years than prime office space in the heart of London.

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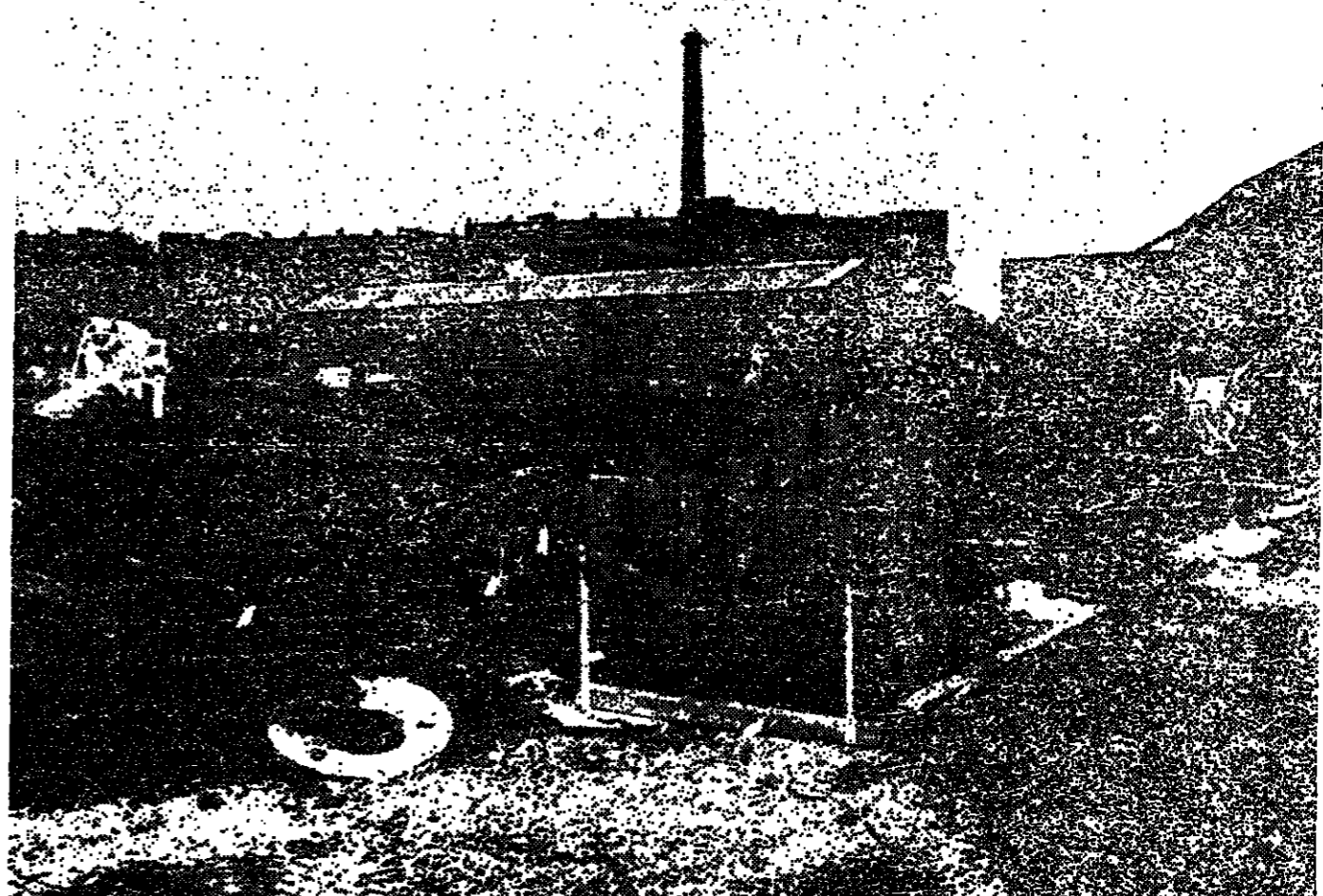
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## INDUSTRIAL PROPERTY VI

## Arguments persist over new schemes

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EVEN BEFORE the summer's urban riots, the Government had made it clear that it expects private enterprise to play a key rôle in bringing new life, industry and commerce back to decaying inner city areas like the former docklands of London and Merseyside.

This year it has already established two new dockland development corporations, in London and Merseyside, which have been specifically charged with encouraging private development and finance. The corporations have been given wide ranging planning powers, including the right to acquire land compulsorily.

The Government's approach is based on a belief that private enterprise, freed from rigid planning restrictions and other local authority and state controls, can lead an economic revival in depressed areas.

It is this philosophy that has been behind a series of planning and legislative measures introduced by Sir Geoffrey Howe, Chancellor of the Exchequer, and Mr Heseltine, Environment Secretary. They include the creation of experimental enterprise zones and local authority land registers designed to restrict councils from hoarding land.

The moves have not been welcomed by many local authorities, which say that plans to force councils to sell land—whether through the new land registers or as a result of powers granted to dockland development corporations—are a blow to local democracy.

Dockland boroughs in London and the new Labour-controlled Greater London Council have strongly opposed the establishment of a new development agency for the capital's former enclosed docks.

Borough officials argue that the corporation—headed by Mr Nigel Brookes, chairman of Trafalgar House—is answerable only to the Department of Environment and may disregard the views of the local electorate.

They also say that the corporation will take the credit for any positive work already done by local authorities, which is only now coming to fruition.

Despite the London borough's claims that development control

would best be left in the hands of those who wrestled with the docklands problem over many years, a House of Lords select committee finally approved the establishment of the London Docklands Development Corporation at the beginning of June.

By comparison, the birth of the Merseyside docklands development corporation—headed by Mr Leslie Young, chairman of J. Bibby and Sons—has been much easier. Opposition from local councillors has been much more muted than in the capital.

In London the Government took the view that docklands interests would best be served by a single development agency rather than by a loose association of local councils each with its own priorities and view of how the area should be redeveloped.

Supporters of the new corporation point to some justification to the many past failures of government and local authorities to agree on a coherent development strategy for the former enclosed docks.

Certainly this was true in the early days of dock closures, but more recently there has been greater unity of purpose. In 1976 the London boroughs and the GLC endorsed a London Docklands Strategic Plan outlining an ambitious development programme stretching into the 1990s.

The plan was drawn up by the Docklands Joint Committee, set up in 1974 to represent the five dockland boroughs, the GLC, local residents' groups and the Government.

Differences of opinion on dockland development schemes, even between councils of the same political persuasion, still persist, however. The Labour-controlled GLC is currently opposing a 2m sq ft office development planned for Hay's Wharf in Southwark—a scheme which has been backed by the Labour-controlled borough council.

Moreover, the first phase of the London Docklands Strategic Plan, due to be completed next year, has already fallen behind schedule. Tables produced this year in evidence to the House of Lords Select Committee show that of the 6,000 dwellings due



Two new dockland development corporations have been established this year in London (above) and Merseyside (below). Both corporations have wide-ranging planning powers.

to be completed by next year only 1,300 had been built, while only another 900 were then under construction.

The Select Committee said that over the past five years 3,500 jobs had been lost in London's docklands, during which time fewer than 800 new jobs had been created. "This compares with the London Docklands Strategic Plan's target to create between 10,000 and 12,000 new jobs by 1982," it added.

DOCKLAND DEVELOPMENTS  
ANDREW TAYLOR

The Government, defending its new initiative further stressed that major development opportunities had been frustrated by failures to agree the future of land owned by some nationalised industries in docklands. The right of the new corporations to acquire land compulsorily—although still requiring Ministerial approval—would resolve this difficulty and provide another way round planning and development delays.

On Merseyside development progress if anything has been even more painfully slow, with little apparent headway made since many of the former wharves were closed. Here, too, there have been past differences of opinion between one of the major landowners—Mersey Dock and Harbour Company—and the local council.

But these had been largely resolved before the new development corporation was formed and took over responsibility for docklands.

It is also unfair to lay all the blame for the delays and frustrations in docklands on the local authorities. Since 1976 councils in London have been vigorously pursuing their strategic plans, but development work has been seriously hampered by a lack of public funds.

On Merseyside, an agreement between the local council and the Mersey Dock and Harbour Company was overtaken by the formation of the new corporation.

Most realistic property developers would admit that their reluctance to invest in docklands has not primarily been concerned with the problems of bureaucracy and local authorities' intransigence.

After all, developers meet similar problems in many parts of the country, but that has not prevented them from at least pursuing schemes even if they do not succeed.

Large parts of the docklands have become so run-down, or have such poor communications, that many developers have seen little prospect of earning an adequate return on new schemes to justify the investment risk, particularly in view of the problems and cost of building on often difficult terrain.

In particular, poor communications in London's docklands have been highlighted as a major obstacle to new schemes.

Last year a Government decision to cut the proposed extension of the Jubilee underground railway into the dockland, and other cutbacks affecting major road plans, prompted Bredero, the Dutch developer, to withdraw from a design competition for the key 120-acre Southwark site in Surrey Docks.

In the event a major international development consortium under the banner of Lyander Estates, eventually won the design competition for the site and is now pursuing plans for a new office, retail and industrial scheme at Surrey Docks.

The plans included provision for about 540,000 sq ft of offices, a 500,000 sq ft shopping centre and a 200-room hotel and conference centre. The consortium also proposed a 540,000 sq ft

industrial park together with a craft and workshop centre. A dockland museum, a sports centre, and a new bus station were included in the plan.

Elsewhere there are plans by St Martins Property Corporation to erect 2m sq ft gross of office space at Hay's Wharf, while three national newspaper groups are to build new printworks within the boundaries of the new London Docklands Development Corporation. Most of the schemes were in the making long before the corporation was established last summer, however.

Several major new schemes have also been proposed on Merseyside. In July, Mr Michael Heseltine, Environment Secretary, approved in principle a plan by Gerald Zisman Associates to build a costly new trade centre at the former Albert Dock.

Mr Zisman believes that his plans have every chance of going ahead, but some of the other schemes proposed for the former docks appear to be highly ambitious and speculative. More recently, Mr Heseltine invited the Merseyside Development Centre to promote a National Garden Festival in 1984.

The new dockland development agencies may therefore have made a reasonable start. While it would be churlish to begin criticising at this early stage, there are real fears that unless they are given the cash to improve the basic services for these decaying areas hopes of encouraging new private investment in docklands may yet be another pipedream.

As one pension fund manager put it after a recent visit to Toxteth: "Industry and commerce want to go to areas with sound environments and good communications, where there is an adequate supply of skilled and stable workers who will not be attracted to depressed areas unless there is a real prospect of adequate housing, schools, hospitals and other social amenities."

Recent moves by the London Docklands Development Corporation to encourage private house builders may assist in reaching this objective, but there is a long way to go yet and the purse strings appear to be very tightly held.

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مكاتب العمل

## INDUSTRIAL PROPERTY VII

## Note of caution sounded on investment prospects

THERE HAS been a detectable note of caution of late among property market professionals, investors and developers about the scale and location of nursery unit construction.

The comment is by no means one-sided. The idea of bringing up industrial "babies" with a family allowance from the National Endowment has been applauded and in many cases acted upon.

The 100 per cent industrial building allowance awarded to nursery units (those of under 2,500 sq ft in the 1980 budget allowed all of the construction costs) is a particular factor to be taken into account in the year in which they are built.

Estia agents King and Co., however, in their recent industrial floor space survey, noted that there was a peak 187 sq ft of industrial space available in England and Wales in August 1981, up from a trough of 53 sq ft in December 1979, and within that time there was not even a single premises with less than 5,000 sq ft.

Douglas King, senior partner of a firm, is a proponent of new building, even to the extent of advocating incentives for the demolition of obsolescent premises.

He says of nursery units: "The space there has been a certain amount of distinction, but the number of them in use has been higher than demand, and a number of developers have found them not good investments."

At least one institutional investor, as reported by Hugh Jenkins of the National Coal Pension Funds, is more cautious. "Although nursery units have not been a very hot market, we were one of the first to accept them as an investment medium," he says.

"Properly chosen, they are still a reasonable market and in the recession they have suffered less than the standard industrial/warehouse unit," he adds.

Trade is still sticking over, says Mr Jenkins, but the NCB funds are not significantly adding to their nursery unit programme "largely because

we already have about 750,000 sq ft of commitments in the pipeline."

Tax incentives, he reminds us, are not relevant to a pension fund. As investments, nursery units must have other attributes and political acceptability is probably not the least of them at a time when institutions investing in property are being asked to concede a point or two to local authority planners in recognition of their social responsibilities.

There are still cautionary words from a clutch of developers. Brixton Estate chief

## NURSERY UNITS

WILLIAM COCHRANE

executive Mr. Harry Axton says that his company would not build speculative units in outlying parts of the country. "Too many people are building too many small units," he says.

Mr. Wallace Mackenzie, managing director of Slough Estates, observes that some nursery units have been built more to shelter tax than to attract tenants and that in some parts of the country this has been excessive.

Similar thoughts come from Allan Smith, deputy chairman of Percy Bliton and from John Taylor, London director of the Irish-based Rohan Group.

But the tone tends to change when attention is directed to the more prosperous parts of the country. Mr Ken McKay, of the Peterborough Development Corporation, comes down on the side of the nursery unit. "We have built about 120 mini-factories of 500 to 1,500 sq ft and found them very successful," he says.

The PDC is still building nursery units, and it is still getting enquiries for them at a steady rate. "There is more turnover at tenant level," says Mr McKay, "but we do not find it difficult to replace them."

Peterborough Development Corporation is charged with increasing the size and income of a new town. It finds that nursery units do need more management, which is a frequent criticism from profes-

sionals in the property business — but it sees value in their attraction for new people.

The PDC's policy is to offer maximum flexibility, building units between 500 and 50,000 sq ft.

It has seen quite a number of tenants wanting to move up from, say, 1,000 to 3,000 sq ft, and it could almost be said to encourage this—at least to the extent that it has flexible lease terms allowing a tenant to move up from the 1,000 sq ft to the 3,000 sq ft level with no penalty even if he has a 10-year lease on the smaller space.

Robert Phipps, development director of Slough Estates, agrees that there obviously must be a danger of bad location and overdevelopment, but he makes one or two points which cool the temperature of the argument.

First, he says that these particular tax incentives are scheduled to go on only until 1983, when they may or may not be extended. The IBA may be a blanket incentive for corporate and private investors, "but it has to be the developer who decides where the nursery units are built."

Secondly, he thinks that the IBA has achieved something important. "The tax benefits were a big impulse," he says, "but there was a basic need there to be fulfilled."

Small units are more costly in terms of construction costs per sq ft than are larger units, but they are also more flexible and up and over doors, whatever the size of them.

"When the tax situation was neutral," says Mr Phipps, "there was a tendency to build bigger units. The new benefits have swung it the other way, giving quite liberal compensation for the higher unit costs."

Mr Phipps also points out one piece of essential arithmetic. The equation starts with the observation that the IBA applies to "hardware" (in this instance including bricks and mortar) rather than land.

Land is a variable cost. In the West Midlands it might be down to £80,000 an acre, but Mr Phipps knows of land less than 30 miles north of London which was bid up recently to £330,000 an acre.

One might be able to place 20,000 sq ft of buildings on an acre, giving a land cost of, say, £15 a sq ft at the top end. The building cost for small units is about £17.50 a sq ft. It follows that the tax advantage is diminished as the land price rises, unless the developer builds on a freehold site.

Mr Derek Glancy of D. E. and J. Levy, says he would buy land only where its value would represent no more than 20 to 25 per cent of the whole scheme. He speaks from experience, having spent about £12m on nursery units in the past 18 months—"probably more than any other agent."

He has other rules. He has been buying nursery blocks only where they have had over-riding leases to local authorities which, in the past year and a half, seem to have considered that this provides a social need for the people they serve.

"They are also making a profit," Mr Glancy observes. "With an over-riding lease at, say, £2 per sq ft in the Midlands they will let them at a profit of 15 to 20 per cent."

But, like other agents, he senses that the 1981 Finance Act has changed the nature of this market. This year's budget raised the industrial building allowance on conventional industrial property from 50 to 75 per cent. On top of that 75 per cent the investor gets a 4 per cent annual writing down allowance, meaning that 79 per cent can be written off in the first year and the remaining 21 per cent over roughly the next five.

That has changed the market, says Mr Glancy. "Bigger investors prefer conventional sizes where they have future marketability."

The economics of buying conventional units are naturally different in scale, with a minimum purchase price of probably not less than £200,000 for 8,000 square feet at Midlands and Northern rent levels of £2 a square foot.

Nursery units will become less popular as investments, Mr Glancy believes. But he still sees a market for them "where local authorities are prepared to lease back and where an element of growth is expected."

## Sales of assets running to plan

"THE PROPORTION of expenditure between the public and the private purse changes through time," says David Bath, chief planning officer of the Peterborough Development Corporation.

Mr Bath takes a phlegmatic view on the new town asset disposal programme requested by Government. It may be inconvenient at times to sell assets "according to a business plan," he says.

But the "business plan" the planners and the estate agents concerned seem to agree that the sales programme is going well after a hesitant start.

In the House of Commons at the end of July, Housing and Construction Minister Mr John Stanley again declined to say what progress had been made on a town-by-town basis on the value of commercial and industrial assets sold since May 1978.

But he was prepared to say that by March 1981, a total of £152m had been realised from the sale of industrial and commercial assets in the English new towns.

The Department of the Environment, which has over-

riding responsibility for these sales under the Environment Secretary, Mr Michael Heseltine, says that the targets which it set were £50m for 1979-80, £100m for 1980-81 and £150m for 1981-82.

Paul Orchard-Lisle, of Healey and Baker, confirms that things are going according to plan. A review commissioned for the D.E. suggests that the new towns "are almost bound to hit the target." The market is still good, he says, for high-quality investments in new towns.

High quality means favourable location, among other standards, and the two firms of estate agents who have made the bulk of property sales up to date—Hillier Parker and Jones Lang Wootton—have been notable for their efforts in the richer areas.

Hillier Parker, concentrating on towns like Bracknell, Welwyn, Stevenage and Hatfield, reckons that it had been responsible for sales of around £100m by end March and that, with Jones Lang, up to £200m had gone through the two firms by the time of writing.

Mike Digby of Hillier Parker says that tenants, especially in-

dustrialists, have been interested in buying out their freeholds when they become available. He notes that the two firms have been connected mainly with towns which have not borne the brunt of the industrial recession.

Robert Elms of Jones Lang, dealing with Crawley, Harlow, Hemel Hempstead and Corby, says that his firm at the moment are agreeing something like £2m of deals per week.

There had been structural problems with the New Towns Commission as owner and the State as shareholder, but now

## NEW TOWNS

WILLIAM COCHRANE

that the structures have been streamlined, movement is much more rapid and, he said, the new towns have been getting good prices. "A very successful exercise but not a sell-out," he commented.

Peterborough spokesman Ken McKay concurs. It has disposed of over £12m of assets, industrial and warehouse property contributing roughly one-half, since April 1980. "What was new was being directed to do it by the government," he says.

While disposing of assets, Peterborough has raised about £20m from the private capital markets. It is still finding it relatively easy to raise money, mainly from pension funds and insurance companies, but it is also selling sites to companies which then find their own funds for development.

Since the expansion of Peterborough began in 1970, 40 per cent of everything built under the Development Corporation's auspices has been privately funded.

Now, 60 per cent of everything under construction is privately funded, including all industrial and commercial projects; and 37 per cent of projects proposed or already in committed programmes but not yet started will be privately financed.

Since the start of expansion, 45 per cent of the new jobs created in Peterborough have been in manufacturing.

David Binns, general manager of the Warrington and Runcorn Development Corporation, takes a similarly balanced line. "We have been raising private capital for five or six years now. This began under a Labour Government in order to supplement our allocation of public money; in the last two years, however, our sales quotas have been specific."

This is the third year of asset sales quotas imposed on the new towns by the Government, but only the second in which Warrington and Runcorn, as a third-generation new town, has been involved.

"We achieved our quota last year and we are confident that we will also achieve it in 1981-1982," says Binns. Like John Stanley, Binns does not care to reveal exact figures for his sales programme.

In times of recession it is a buyers' market, he says. "Institutions are being very selective in their property buying, for that very reason."

In value terms his sales so far have been composed mainly of advance factory units. There has also been one important office block disposal, on the Birchwood Science Park, and a couple of major distribution facilities, one of them a Woolworth trans-shipment depot.

The depot, he says, was a solid development which was done specifically for Woolworth by the Warrington and Runcorn Development Corporation — "over 80,000 sq ft, marketed successfully, and subject to the Woolworth lease."

"We have not found it more difficult to sell through the recession," says Mr Binns. Warrington and Runcorn, he says, is fortunate in having a good geographical location, with specific areas of it now known to the financial institutions as good investment propositions.

"What does make a difference is having to dispose of some of our property rather more quickly than we would prefer," he says. Property by property, he would prefer to be able to wait for rent reviews to fall in before disposal. "In some cases we could have got a better price in this way."

Binns also echoes a general point made by a number of participants in the sales programme. "When all the parties are sold, that's it." This means that Warrington and Runcorn, like other new towns, will have less financial flexibility and the Government will have had more.

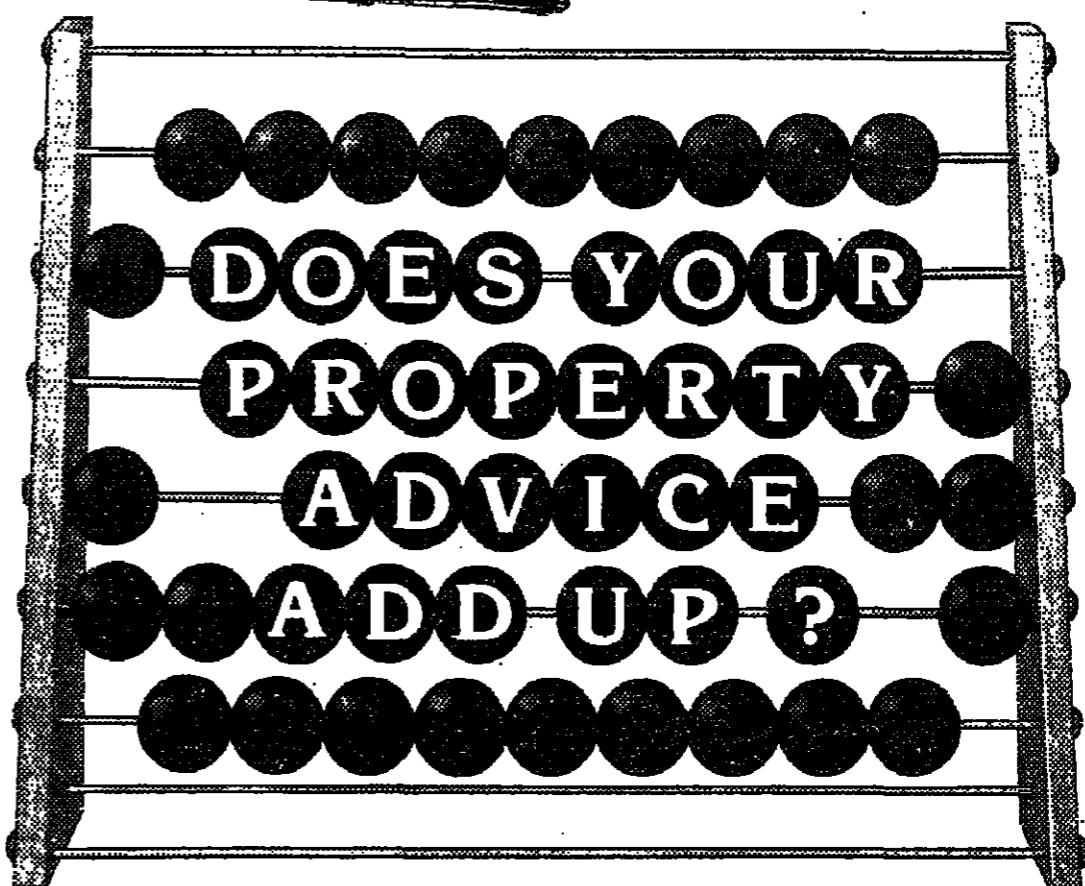
In Scotland, where the Secretary of State, George Younger, is responsible for improving the cash flow to the Government, the situation is different. Michael Thomson, commercial director of the Irvine Development Corporation, says: "With us it is probably a non-story in a sense."

The sale of assets, says Thomson, does not weigh heavily on the Scottish New Towns. The Secretary of State has set them no specific targets, but "he has a different remit."

The five Scottish new towns have tried to follow the spirit of the sales programme, says Thomson. They have sold assets, he notes, but in normal circumstances these would only be sites for development by the purchasing company.

"Scottish new towns are seen in a different light," he says. "They are a focus for significant new growth opportunities for the Scottish economy rather than a city overspill location."

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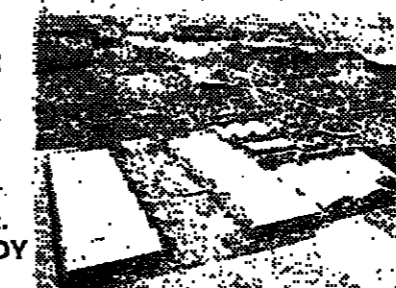
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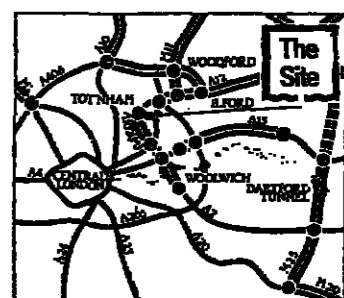
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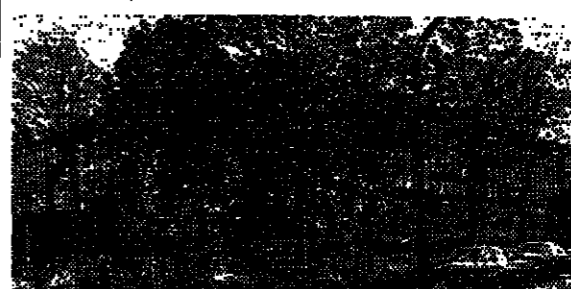
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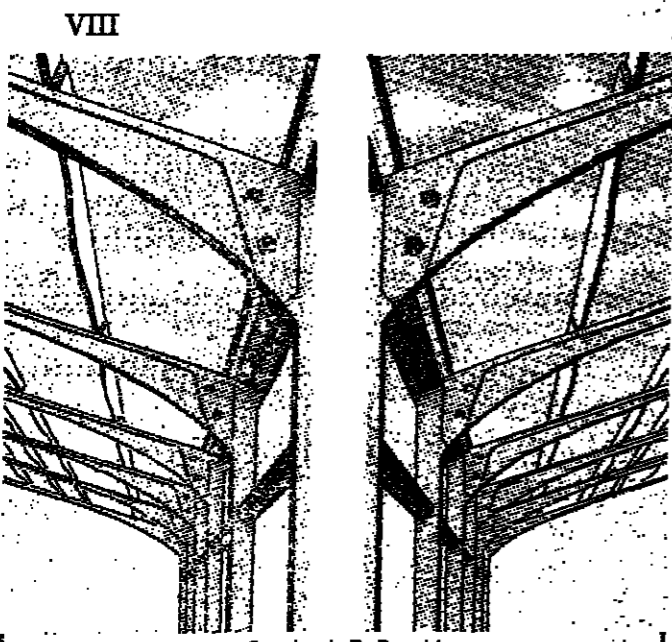
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## INDUSTRIAL PROPERTY VIII

## SPACE TO LET OR FOR SALE

	Totals in thousands of sq ft						
	Mid-Aug '81	Mid-April '81	Mid-Dec '80	Mid-Aug '80	Mid-April '80	Mid-Dec '79	Mid-Aug '79
<b>LONDON</b>							
Warehouses	7,295	7,552	6,537	5,033	4,235	4,096	4,595
Factories	12,476	10,748	9,062	7,583	6,526	6,350	6,896
Under construction	2,999	2,719	2,715	2,725	2,032	2,488	2,878
<b>HOME COUNTIES: NORTH</b>							
Warehouses	2,654	2,455	2,116	1,739	1,528	1,835	2,051
Factories	6,078	4,920	4,302	4,143	2,463	2,659	2,690
Under construction	2,380	3,178	2,450	2,352	1,806	1,276	980
<b>HOME COUNTIES: SOUTH</b>							
Warehouses	4,324	3,875	4,123	3,426	2,657	2,097	2,612
Factories	6,498	5,378	4,556	3,005	2,102	1,690	1,219
Under construction	2,307	1,993	1,667	1,904	1,966	1,704	1,469

Source: King and Co.



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This 20,000 sq ft single storey factory/warehouse complex at Slough Trading Estate, Berkshire, is available for rent at £42,458 per year (subject to review). The agents are Fuller Horsey Wills of London.

## Favoured region falls at last to recession

A YEAR ago the Financial Times emphasised the growing awareness in the property world that the South East could not stand up to the deepening recession without some impact on the industrial property market.

Today the message is crystal clear. While the South East is far better than many of the old heavy-industrial areas further north it, too, has come under increasing pressure from a combination of falling demand and increasing availability of space.

In consequence, rental levels have stopped rising at anything like the historic rate and in the past six months at least have not budged a penny in most areas. The old familiar incentives to both prospective tenants and agents have been taken off the shelf and dusted down in an effort to win occupiers.

Prolonged rent-free "holidays" can be found on offer and double-scale commissions for the agents. But asking rents are unlikely to fall. The way in which developments are now mainly funded by institutional long-term money means that the institutions are not going to be pushed into rent reductions by what, in context, is a relatively short period of market weakness.

The table of available floor space in the South East taken from the past seven King and Co. reviews demonstrates the steady build-up of empty accommodation. From the mid-1970s the four-monthly reviews showed a gradual decline in vacant accommodation for

England and Wales until the December 1979 survey where the total had fallen to 53.8m sq ft; of that amount, 18.7m sq ft was in London and the Home Counties.

Since that point every survey has shown an increase in empty accommodation, with the total for last August up to 137.57m sq ft. The rise in unlet floor space has been nowhere near as dramatic in the South East. The major rises have been in the industrial centres of the North West, North East and West Midlands.

Nonetheless, the trends in the South have followed those in the rest of the country. Last August the total unlet figure for London and the Home Counties was 39.3m sq ft—some 5m sq ft more than the review four months earlier.

What demand is visible in the south reflects the basic changing pattern on Britain's industrial base. Many of the traditional industries can no longer compete in world markets and the few expanding sectors tend to be in advanced fields such as electronics. Moreover, the strength of sterling until recently has encouraged an increasing flow of imports—all of which require warehouse capacity.

This demand for warehouse space is particularly evident in the south. The King survey again underlines this point. The amount of unlet factory space around London and the Home Counties has expanded to a much greater degree since the 1979 low point than warehouse accommodation.

The MEPC estate at Greenford, where the first phase of a redevelopment plan is under way, is a fairly typical example. Mr Ivor French of the agents Leighton Goldhill says that 60 per cent of inquiries he has seen have been from electronics-based companies serving the London area; and in general



Advance units at Gillingham Industrial Park, a joint Gillingham Borough / Grosvenor Developments project on 130 acres alongside the A275 dual carriageway link between the A2 and M2

developers are understandably packed their portfolios with concentrating a fair bit of effort in that size unit. There must be a question mark over the extent of demand for all these small units.

In the first half of 1980 rents for prime industrial/warehouse accommodation in the best areas of the South East, such as Slough, Hounslow, Watford, Woking, and Kingston—the so-called "Golden Triangle"—rose slightly from £3/sq ft to £3.50/sq ft. Since then there has been little movement.

However, a recent industrial property survey by the agents Grant and Partners shows that there has been some rise over the past 12 months. Most of the advances shown in the table probably occurred in the earlier months of the period, for rents have stuck quite firmly in the past six months or so.

The agents estimate that the average increase in London in the past 12 months has been 6.9 per cent against 11.2 per cent for the previous year. Taking London and the Home Counties together, the gain has been 7.7 per cent for 1980-81, compared with 13.1 per cent for 1979-80, while the figures for the provinces over the same periods are 5.7 per cent and 18 per cent.

While rises in the South East are hardly inspiring they are better than for the rest of the country, as a whole. So it is easy to see why developers are putting more emphasis on the South. Buildings under construction in London and the Home Counties, according to the King survey, showed a small increase from 6.8m sq ft to 7.7m sq ft between the last two reviews. Taking the country as a whole there was a small decrease to 15.6m.

While the "Golden Triangle" is still an active market, some other regions in contrast are showing distinct signs of weakness. For example, east of London there is a substantial amount of industrial property in the Barking and Dagenham areas near the Thames. In North London, places like Edmonton and Enfield are also suffering from an over-supply.

The variations in strength are demonstrated clearly in land prices. At present the number of institutions interested in speculative industrial development has dwindled, most of them having fairly well

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### LONDON AND THE SOUTH-EAST TERRY GARRETT

98 per cent of the business passing across his desk seems to be warehouse space rather than factories.

Importers of consumer electrical goods, videos, computer games and the like are high on the list of takers for square footage.

Clearly there are regional variations within the broad area of the south-east. Equally, the demand profile varies enormously with the type of property on offer. Over the past four or five years developers have taken to building smaller properties—3,000 sq ft to 7,000 sq ft units are typical.

This is in response to changing patterns of demand towards smaller operations. But with the current weakness in the market, where even some of the really prime areas of London are facing lean times it is this type of property which is in the most over-supply.

For an industrialist requiring something larger—more than 10,000 sq ft—the choice narrows, and a good-quality unit of over 20,000 sq ft can be hard to find.

In reaction to the Government's tax incentives for small units, 2,500 sq ft and under, where all the construction costs can be offset in the first year,

While rises in the South East are hardly inspiring they are better than for the rest of the country, as a whole. So it is easy to see why developers are putting more emphasis on the South. Buildings under construction in London and the Home Counties, according to the King survey, showed a small increase from 6.8m sq ft to 7.7m sq ft between the last two reviews. Taking the country as a whole there was a small decrease to 15.6m.

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The variations in strength are demonstrated clearly in land prices. At present the number of institutions interested in speculative industrial development has dwindled, most of them having fairly well

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# Bigger private sector involvement

WALEN IS in the throes of the highest ever expansion of its industrial property stock. According to the raw data of the steel industry in North Wales, as well as South Wales, the Welsh Development Agency is now completing new advance factories at an average rate of one a day.

It amounts to the largest factory-building programme of any agency in the UK and probably Western Europe. By the time the new space currently under construction, out to tender or on the drawing board, is completed, a further 3m sq ft will have been added to the agency's portfolio of industrial property totalling some 16m sq ft. That said, a change of policy is in the air. Partly because the agency does not want a large stock of empty properties on the market, partly because Government funding seems certain to be cut back now that the special measures announced in response to Welsh steel job losses are well under way, the WDA is planning to slow down its publicly financed building activities.

In future, it intends to concentrate much more on land acquisition, site assembly and industrial estate preparation through the provision of

sewerage and other basic services. The aim is to leave far more of the task of construction, where appropriate, to private builders.

Wales has not traditionally attracted the interest of the private industrial property market. Apart from the provision of a certain amount of warehousing in and around the main population centres, the job of development has been generally left to public agencies, the local authorities, or industry itself.

When the present Government took office in May 1979, however, it made it clear that it wanted the WDA to involve the private sector in the funding of its activities. This was initially frustrated by the steel employment crisis. But in the past 12 months, three schemes have been tied up. These, the WDA believes, point the way towards achieving a greater private sector involvement in the future.

In Bridgend, the Norwich Union insurance group is investing £5.5m in 38 factories on the WDA's Waterton Industrial Estate, which will provide an additional 240,000 sq ft in the same place as Ford's new European engine plant.

In Newport, Gwent, the agency has entered into an agreement with Wimpey Construction (UK) to build 184,000 sq ft under a £4m design-and-build package.

For South Wales generally, CIN Properties has agreed to invest £3m on behalf of the coal industry pension fund in small starter factories.

Detailed arrangements for the first batch of 35 "nursery" units to be built at a cost of £1.7m have just been concluded. Ranging in size from 500 sq ft to 3,000 sq ft, 14 of them will be built at East Moor, Cardiff, 11 at Ty Verion Industrial Estate,

ventures, the private sector is also coming forward with its own projects. A major example is Norcor which has announced the investment of over £20m over the next three or four years to create a new estate to the north of Cardiff.

To be known as Cardiff Industrial Park, the 33-acre site will eventually contain 600,000 sq ft in units of varying sizes.

Like many other sites which offer good opportunities for private investment, this development is close to the M4. The last major uncompleted section of the motorway—the Bridgend bypass—has just been opened and it is already having a marked effect on the local industrial property market.

According to the WDA, there has been a sharp increase of interest in the Kenfig Industrial Estate, which is close to the new section. It is expecting developments planned further west at Port Talbot and Baglan Bay to be far more attractive.

The same is likely to be true of the A55 in North Wales. The doubling of this trunk route from the Welsh border through to Anglesey is now beginning in earnest.

## WALES

ROBIN NEEVES

Barry, and 10 at Morriston on a site which lies within the new Swansea Enterprise Zone.

The WDA will build the factories and be responsible for their day-to-day management, under a sale and lease-back arrangement with CIN Properties.

Apart from these joint

# High technology groups drawn to the area

DEMAND FOR factory space in the main industrial areas in the South West has held up fairly well during the recession, particularly in the Bristol area, where development is going ahead rapidly in anticipation of growth in the electronics sector. The arrival of the American electronics company Hewlett-Packard in Bristol, where its factory will be built on a 50-acre site (with an option on a further 115 acres), is seen as an important catalyst for industrial development.

There are now 14 development projects of more than 50,000 sq ft apiece under construction in the Bristol area. By far the largest and most significant is the Astec West scheme, which will eventually provide 1.5m sq ft of industrial space, 500,000 sq ft of office and 45,000 sq ft of shopping area.

This major undertaking is being funded initially by Electricity Supply Board and will be managed long-term by property agents Richard Ellis, with the aim of providing high quality space for a range of activities, particularly high technology companies which

need specialised facilities.

Strong interest has been shown by a number of American concerns which see the Astec scheme as most closely resembling U.S. industrial developments for the electronics industry. Work on the infrastructure of Astec will be completed by Wimpey, the contractor, by the end of the year. The £150m "business park" will provide 180,000 sq ft of space initially and marketing

## THE SOUTH-WEST

LORNE BARLING

began recently through Richard Ellis and Lalonde Brothers and Parham. Rentals are £2.75 a sq ft on 8,000 sq ft units, which are at a premium over other space in Bristol.

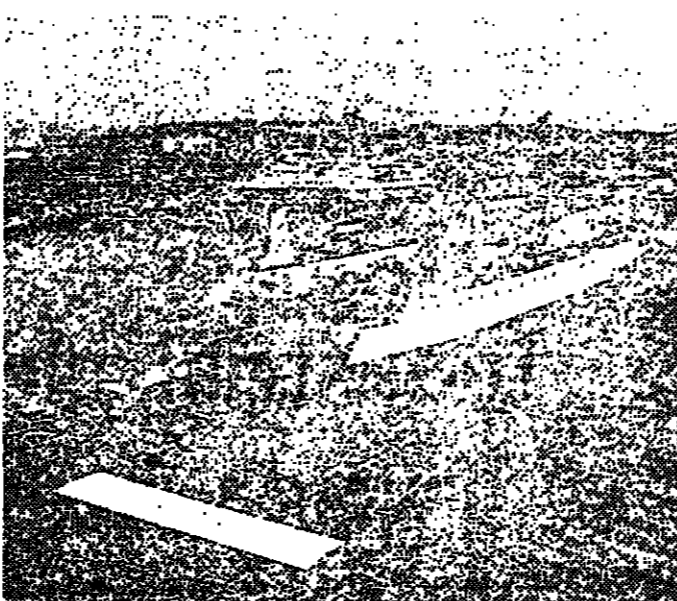
Larger units are also expected to be let at £2.75 a sq ft, but Richard Ellis points out that Astec will be a fully managed estate on which £500,000 is being spent on landscaping

alone. One of the first companies on the site will be Digital, which is building 80,000 sq ft of office space at £6 a sq ft, which is comparable to central Bristol rents.

Prospective arrivals at Astec include 11 electronics groups, two aerospace concerns, two large companies in the high technology field and four general industrial companies. They have the choice of either renting speculative space, entering a pre-let agreement on specially built space or building their own premises on land which will be on sale at £200,000 an acre. Building plans will be subject to approval by Richard Ellis.

Although institutions other than ESN will provide funding for later stages of the project, ESN will retain overall control of a "managed environment" which Richard Ellis will undertake. The aim, according to Ellis, is to maintain extremely high standards and offer a number of additional facilities such as for recreation.

Elsewhere in Bristol demand has remained fairly strong despite a steady flow of property coming on the market, and



The Docks Board has indicated that it may soon release a 20-acre site in the sought-after central area of Southampton.

with an eye to the U.S. market the council is encouraging more developments in the style of Astec. A second promotional trip there by council officers is planned.

Rentals are now running at around £1.70 a sq ft for space in the Avonmouth area, where there are a number of new schemes under way, while £2 a sq ft is the average for other parts of the city, with £2.25 being asked on the prime estates.

The recent Hewlett-Packard announcement has been a shot in the arm for Bristol, not only because it will create several thousand new jobs but because it could encourage a considerable number of other U.S. concerns to follow suit.

Elsewhere in the South West, particularly in Exeter, the industrial property market has benefited from an increasing number of companies setting up distribution centres there. Exeter City Council is co-operating with private developers on two sites, one of 55 acres, in an effort to provide more premises for new industry. Rents in the area range from around £3 for smaller units to £2 or less for larger ones.

Since the completion of the M5 to Exeter some land shortages have been experienced. As a result there has been a considerable amount of redevelopment, either through refurbishing or new building on old sites.

Plymouth on the other hand has been suffering from the effects of recession, but a number of new developments are nevertheless planned, among them the project at Roborough, where 500,000 sq ft of space will eventually be built on 45 acres of land being made available by the council.

The city has welcomed the decision of Beckton Dickinson,

the U.S. medical supplies company, to build a 200,000 sq ft factory, which may later be doubled in size and create 650 new jobs. The council is also encouraging building activities, particularly smaller units, by offering freehold land for sale at £35,000 an acre. Rentals in Plymouth range from around £2 for modern premises up to around 3,000 sq ft, while larger units are at around £1.75.

Southampton, which has traditionally suffered from development land shortages, has also seen recent efforts by the council to make more available. The Docks Board has indicated that before long it may release a 20-acre site in the sought-after central area.

Although the city has not seen many large lettings recently, there has been some improvement in demand while estates in the surrounding areas of Eastleigh and Segensworth continue to attract industry. Small premises have recently been letting at up to £3.50 a sq ft, while around £2.75 is the asking price for units of around 5,000 sq ft.

The largest single development in Southampton, however, is the Western Esplanade, which is being undertaken by Heron and where 140,000 sq ft will be built in the first phase. This will include 22 nursery units, with the rest going up to 6,000 sq ft.

Overall, the South West property market appears to be suffering far less than the rest of the country, and much of the work now in progress shows that there is optimism about the future. The evident preference of many high technology companies for the area is also benefiting industrial centres such as Swindon, where demand for property remains good, and the towns around Bristol.

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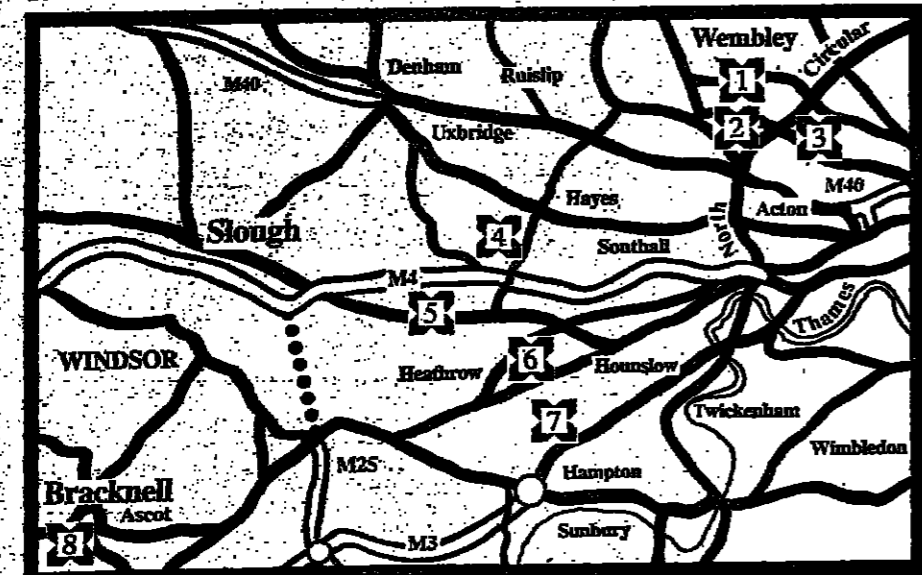
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## Aberdeen the bright spot in a bleak scene

THE GOVERNMENT is Scotland's largest owner and developer of industrial property - about 25m sq ft of rented accommodation alone being administered by the Scottish Development Agency (SDA). According to the SDA, 15,000 acres of suitable land have been allocated for industrial use in development plans. Half of this was publicly owned and half privately.

The Government has assumed a growing role in industrial promotion. The SDA along with the five Scottish new towns, the 12 regional councils and many of the local district councils have actively built and pro-

moted industrial sites, creating the advance factory space fundamental to generating economic growth in this region of economic decline.

The very scale of this activity has, over the years, tended to push private developers into the background. In terms of a return on capital invested a Government agency or local government could, as part of its plans to attract new industry, accept a return as low as 5 per cent on capital while a private developer would need 10 to 30 per cent to make similar projects economically viable.

The emphasis by Government over the years on creating new manufacturing bases in Scotland has also tended to push private developers into the field of building for service industries and warehousing. They have been successful where there were exceptional factors such as a special transport requirement or a specific location made individual projects in manufacture worthwhile.

Development slowed as a result of the recession, large amounts of unlet or unsold property and only one or two areas of encouraging demand is the sad scene in Scotland. Approximately 750,000 sq ft of industrial space were available in Lothian region alone in August when normally the annual turnover of property would be 200,000 sq ft in this area. The outlook in the rest of the country was not much better.

A survey compiled by Kenneth Ryden and Partners of Edinburgh showed the total amount of industrial property available or under construction throughout Scotland down on the previous year. But this reflected a decline in building rather than greater uptake.

Based on property on offer from official and private developers, the survey recorded a total of new industrial and

warehouse accommodation available or under construction in June of 2.5m sq ft. In many regions the amount was half that on offer the previous June, although Lothian recorded an increase of nearly 140,000 sq ft.

According to Mr Roy Durie, industrial property specialist with Kenneth Ryden, at least as much accommodation existed in the second-hand market. Much of it was in multi-storey buildings whose owners were finding regional rating laws prohibitive. High rates could have encouraged movement to new and in many cases more suitable property. In Mr Durie's view, too

SCOTLAND  
MARK MEREDITH

many companies were holding on to uneconomic and unsuitable property.

He felt that companies would make more regular assessment of their industrial housing if leases were drawn up on a five-year basis as they are in many parts of the U.S. as opposed to the 25-year leases common to Scotland. Five-year rent reviews would encourage a harder look at requirements and options for expansion.

Mr Ian Marshall of Bernard Thorpe and Partners, in the firm's quarterly survey, commented: "With both the public and private units there is generally an oversupply and the enquiry level is low. Overall recent lettings have been few and far between in areas other than Glasgow, where demand has been somewhat steadier than elsewhere." Glasgow, Edinburgh and Aberdeen remained the main centres for comparison in terms of turnover and rates.

## Industrial closures weigh heavily

A RELENTLESS spate of industrial closures and cutbacks in Northern Ireland, including the near-collapse of the once dominant man-made fibres industry, combined with the Whitehall-directed policy of the Department of Commerce in selling off State-owned factories and sites, now make the industrial property market one for buyers.

Both recent economic history and the current state of the market are illustrated in the largest single property available - 228 acres of redundant Courtaulds fibre plant at Carrickfergus, which came on to the market last Thursday.

Just two miles away a similarly big ICI fibre plant is also idle - and available. All but the most optimistic predict that within six months there will be a third, with what they believe is the inevitable closure of British Enkalon about 12 miles away at Antrim.

In neither good times nor bad does the Northern Ireland industrial property market bear much resemblance to that in Britain because so much of its manufacturing area is built and owned by the UK Government through Stormont's Department of Commerce.

Overall, the Department owns nearly 500 factories totalling more than 20m sq ft - about three-quarters of all the province's manufacturing space. At present, 23 Government factories offering more than 1m sq ft stand ready for immediate occupation - if tenants could be found.

In line with the realisation-of-assets policy of the present government, the DoC is now offering its sitting tenants the opportunity to buy their freeholds. Recently, 12 such sales have been made. It has also put seven sizeable "second-hand" factories - once occupied but now vacated by collapsed companies - on the market through commercial agents.

The Belfast estate agents Osborne, King and Martin report that some companies which, formerly, were happy to be State tenants are now showing signs of wanting to own their factories.

This desire to own one's own plant was manifested in the fairly recent case of a major incomer - the De Loreau sport car factory which has been built on 76 acres of government-furnished land at the company's expense.

Besides a fairly large stock of advance factories of varying sizes across the province, which the DoC has traditionally maintained, it has also held land ready for such plants. Advance factories dwindled to what the department considered a dan-

gerously low level after a successful run of investment in 1978-79, but it has been only marginally increased again since then.

The slimmer stock which is now thought to be acceptable seems to reflect diminished hopes that there will be any further such vigorous investment flow. Similarly, the land bank is also being reduced and of the DoC's undeveloped 1,078 hectares, it is now attempting to dispose of 170 hectares.

Despite the slump, there is still a substantial new-building programme by the DoC. This year it is spending £13.5m on erecting some 258,560 sq ft of new factory space and refurbishing almost 300,000 sq ft of its existing stock, although it makes no prediction for next year.

Included in the current programme are the developments of "neighbourhood business units" for depressed inner areas of Belfast. These are modelled on the first two complexes of

N. IRELAND  
ROBERT RODWELL

such mini-factories erected under the auspices of the DoC's subordinate small firms agency, the Local Enterprise Development Unit. They were much welcomed and created several hundred inner-city jobs.

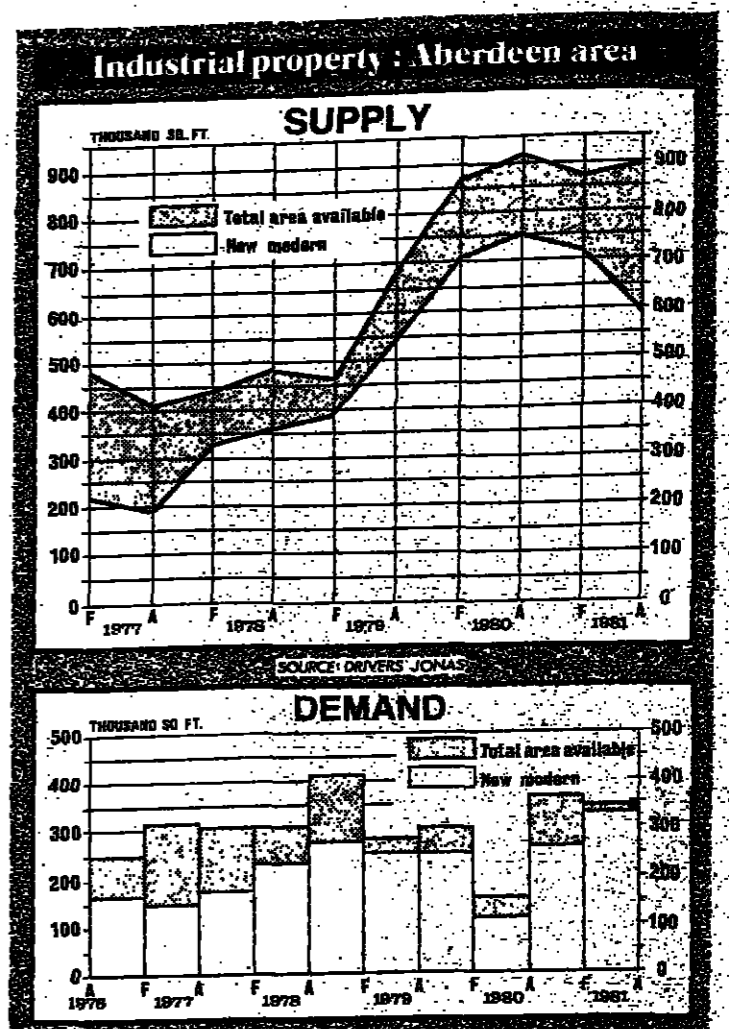
Northern Ireland's industrial assistance legislation was amended a few weeks ago to permit the DoC to pay investment grants for factory building not only to owner-occupier firms but also to property developers building for rent.

In the view of one leading commercial estate agent, change will prove almost meaningless. He foresees no interest from property companies at all in building factories speculatively, other than mini-workshop units.

The DoC is more optimistic, however, and says the new rules have already produced a marked increase in enquiries about the possibility of obtaining sites from its land bank.

Meanwhile, private interest in small workshops is already seen in the building of five such units by a private firm at Carrickfergus. Four of them are already let. The inauguration of Belfast's Enterprise Zone later this month is also encouraging the sub-division of redundant textile mills into small-company premises to let.

Pity the estate agents, however, who have to find new riders for such white elephants as the Courtaulds factory.



In a summary of the Aberdeen industrial property market for the period February to August this year, Driven Jones emphasises that, in contrast to the market nationally, the demand for new and modern buildings represented a record level. Take up in total, after adding in older buildings also remained high and approached 350,000 sq. ft. One feature has been a continuation of the demand reported last February for larger buildings of 20-30,000 sq. ft.

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# Vacant premises reflect toll of rising unemployment

IF THERE has been a growth industry in the North-West during the past year it must have been market research. Statisticians, sociologists, industrialists, building societies, estate agents and local authorities have all weighed in with deep surveys and gloomy predictions.

Manchester City Council expects a 20 per cent unemployment rate in the city by 1985, with the real rate of male unemployment 30 per cent or more.

Now the council has gone one better with the forecast that one in four could be out of a job in the area within the next four years unless it can retain its assisted area status. It can see 68,000 jobs disappearing in a vicious spiral of decline. "In the past the problems of Greater Manchester have been overshadowed by those of Merseyside, but the scale now demands similar attention," says the report.

"There is no part of the conurbation that cannot point to the closure of major concerns and a sharp rise in unemployment. The position is bad everywhere—and in places very bad." Meanwhile, in a survey of 153 North-West companies the Confederation of British Industry condemns "profligate" councils whose soaring rates have forced companies to make more and more redundancies.

All this is having a bad effect on the industrial property market. King and Company have no doubt that the available floor space in the North-West is directly related to the unemployment figures. While unemployment continues to rise a corresponding increase in the available floor space must be expected. It is easy to be pessimistic when available floor space in the North-West in mid-August showed an increase of more than 1.7m sq ft to 18.1m sq ft.

But it is more encouraging than it seems, with warehouse space in the region actually falling by 645,000 sq ft to 7.7m sq ft. Indeed, most of the increase can be attributed to a glut of old and unattractive factory buildings.

The total figure of 18.1m sq ft does not include many millions of square feet of old multi-storey mills, which are nominally available but unlikely to be put to profitable use again.

Although there is no sign of an industrial revival in the region, Edward Rushton Son and Kenyon see a levelling-out in the economic decline. Over the first half of this year unused

## THE NORTH-WEST

MICHAEL RIMMER

floor space in Greater Manchester, Merseyside, Lancashire and Cheshire increased by only 9 per cent—the smallest rise recorded since mid-1979.

Mr Geoffrey Tomkins, of Edward Rushton Son and Kenyon, believes this to be the first encouraging sign in over nearly two years of declining industrial occupancy in the North-West. He believes that the trend will continue.

Although he does not know just how rapidly the upturn will continue he is quietly optimistic about next year.

Mr Paul Syme, of King and Co., says that although buildings are being let and sold more companies are now more interested in buying than in leasing.

"Owners are prepared to consider offers which 12 months ago would have been rejected out of hand in order to release capital," he says.

"Some occupiers of rented premises are finding that the rents they are paying as a result of reviews in 1979-80 are more than the profits can stand. Indeed, in some cases they are higher than could be achieved for the same property in today's market."

Premiums by incoming tenants are being waived and in many cases companies are paying reverse premiums or giving rent-free periods. Directors of companies finding themselves in the position of paying rents which are higher than can be commanded in today's market

are doubly wary about finding themselves in the same situation again.

"In the past they might have considered capital better allocated to manufacturing plant, but today they feel business is better safeguarded by holding freehold premises."

The region has two enterprise zones, Speke and the Salford Docks-Trafford Park area. Because of its position, Speke is unlikely to have a damaging effect on the rest of Merseyside. But the same cannot be said for Salford-Trafford, where the boundaries have resulted in a two-tier market which has sharply divided the agents.

Developments in Trafford Park which have competed on equal terms are suddenly, in demand terms, found to be totally different, although they are only a few yards apart in some instances.

"Ten years' tenure without having to pay continually rising rates is a temptation so great that many businesses cannot afford to ignore it. Property owners just outside the zone are trying to counter the attractions of the rate-free period by offering rents far below those at which the buildings can be economically built, which is likely to result in zero development round the zone for many years to come."

On Merseyside Mr Roger Tucknot, of Mason Owen and Partners, claims that the firm had not noticed the downturn as much as agents in other parts of the region probably, because of the reputation of Merseyside outside the North West region.

In recent weeks, he says, there has been a sharp increase in enquiries and provisional lettings, though this could have coincided with the end of the summer holidays.

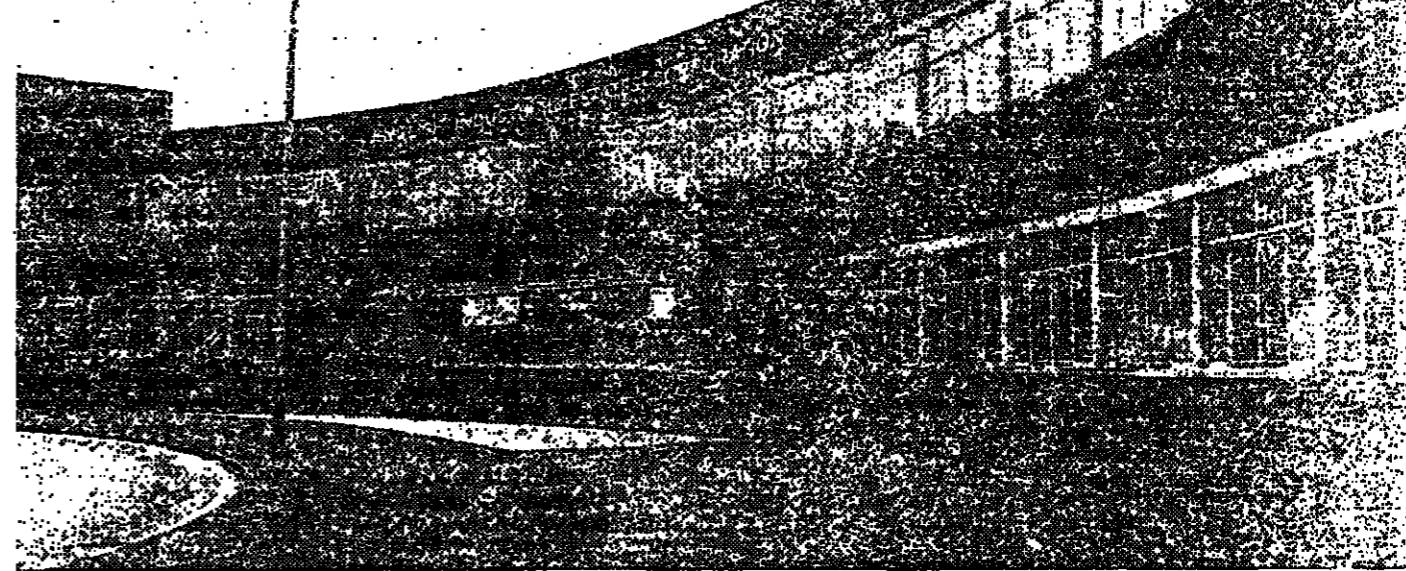
The one consistently bright spot in the North West is Warrington New Town. Last year, for the third successive year, the Development Corporation beat its annual target of 1,500 new jobs by creating employment for 2,200 people bringing in 72 new companies. Nearly 1.1m sq ft of floor space was built, of which more than 800,000 square feet was let.

A further 1m sq ft will be built this year, and this pattern is expected to continue for the next three or four years. Behind this is an imaginative marketing operation which last year cost more than £500,000 (some estimates put it at nearly £1m).

During August the Development Corporation attracted 13 new companies—its highest monthly total since its inception in 1968.

"There is a recession and competition is tough, but this has only fuelled our resolve to attract more companies and more jobs," says Mr David Evans, the general manager. "We believe in fighting hard for business at home and abroad and our current success is extremely encouraging."

Of the 46 companies to move in at Warrington since last April, eight are overseas-based. The 128 new jobs created in August brought the current year's total up to 550—well up to the Development Corporation's target figure.



Offices of the English Industrial Estates Corporation, at Team Valley, near Gateshead, Tyne and Wear. The past year has seen major changes in the Government-owned agency that builds factories in development areas. The recession and Government policy has forced a change in strategy for the EIEC, which is now adopting a more rigorous marketing approach.

## Glut of space likely to take years to clear

WITH ALMOST 200,000 people on the dole and further factory closures announced almost every week, the demand for industrial property in the north east remains very depressed.

The bankruptcies and closures of the past few years have created a glut of vacant industrial property which will take years to clear.

Up to 2m sq ft of industrial property is currently estimated to be vacant in the region which represents a considerable increase on this time last year.

The highest problems are being experienced by owners of larger, older properties which are proving very difficult to shift. However, the demand for smaller factories remains relatively buoyant, particularly so for the smallest units suitable for the man starting out on his own business venture.

The depressed state of the market is reflected in both sale prices and rents which have failed to move with building costs and interest charges.

Within this sea of gloom the North East's two enterprise zones are islands of relative optimism. Industrial property agents report that rent levels in the Tyne-side zone are already beginning to move up, reflecting the attractiveness of rate-free premises and they expect a similar movement in the Hartlepool zone, which officially gets under way in the middle of this month.

New premises in the Tyne-side zone are currently fetching rents of around £2 a sq ft, compared to £1.50 to £1.75 for similar property outside the zone.

Rents on Tyne-side have traditionally been slightly higher than on Teesside

which, in turn, has been higher than for County Durham, but this differential seems to have been largely swept away by the recession. Run-down premises in parts of Newcastle and

## THE NORTH-EAST

JAMES MULRENAN

Middlesbrough, as well as in the more remote areas of West Durham, are currently available at very low bargain basement rates of perhaps 50 pence a sq ft. Purchase costs can be as low as £2 a sq ft but, equally, can be considerably more.

A seven-year-old factory of 76,000 sq ft, recently sold by Storey, Sons and Parker, the Newcastle-based agents,

fetched £600,000 which is almost £8 a sq ft, while a similar property in Washington New Town went for £9 a sq ft.

Demand for warehousing seems to be stronger than for factories and this is reflected in the price premises conveniently placed for trunk roads and the A1M are fetching.

Industrial development in the North East has long been dominated by the public sector represented by the English Industrial Estates Corporation, the three New Towns and the local authorities. The recession seems to have accentuated this situation.

Even less than usual private speculative building is going on in the North East at the moment, although a 40,000 sq ft development by North British Properties has

recently been completed at Longbenton, just North of Newcastle.

Availability of land in most areas of the region is good. The concern of a few years ago that local authorities were not releasing sufficient land for industrial purposes has now faded.

"It is certainly very much a buyers' market at the moment. There is a lot of very good property around at very reasonable prices," says Mr Nicholas Biezard, of Storey and Sons and Parker. "I think this is the factor that has kept up a reasonable level of interest."

Little real improvement in the market is expected for the foreseeable future, but regional estate agents assume that the situation is now at rock bottom and there will not be a further deterioration.

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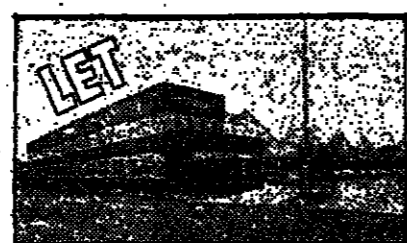
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### Wembley



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### Park Royal NW.10



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### Holloway N.7

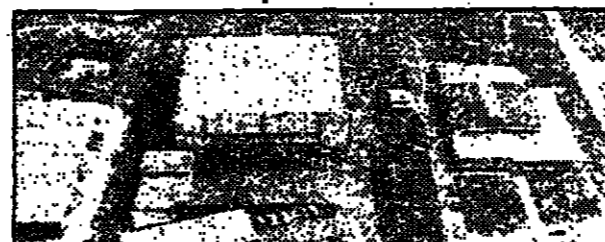


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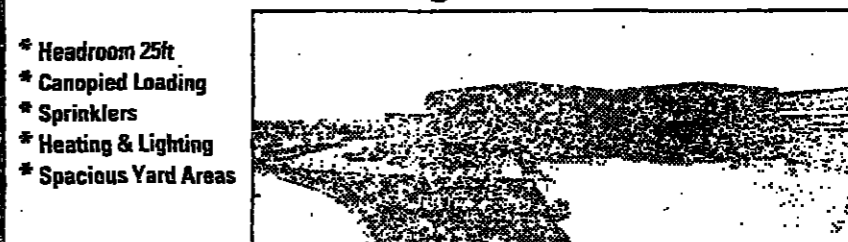


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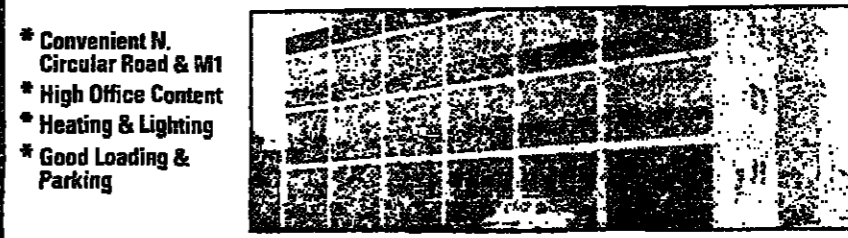


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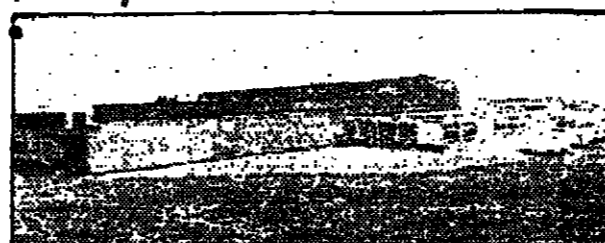


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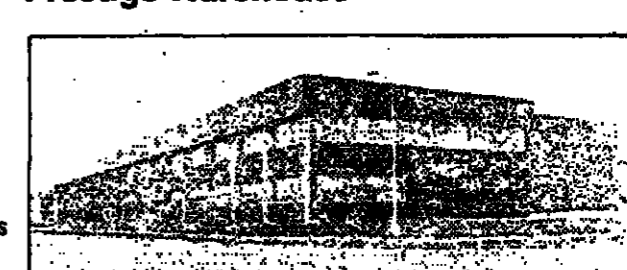


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## Firm demand for modern premises

AGENTS IN the West Midlands, one of the regions hardest hit by the recent rapid decline in manufacturing, are grateful that the industrial property market is not worse.

"Encouragement must be taken from the fact that companies are still taking space. The market is still moving," says Mr Ian Mellor, of King and Co.

His comment is typical. Agents are reporting continued demand for new units, especially on prime sites close to the motorways. The market for small factories of up to 5,000 sq ft has proved particularly resilient.

But the latest survey by King and Co highlights the scale and pace of redundancies and closures in the region. Vacant factory space has shot up from 10.56m sq ft to 13.18m sq ft since mid-April. Empty warehouse space now totals 8.62m sq ft, compared with 7.54m sq ft.

The problem for agents in a buyers' market is that so much of the property flooding on to their books is old and unsuited to modern needs. Closures have tended to come in the traditional "metal-bashing" industries and companies rationalising activities inevitably dispose of out-dated premises first.

Such accommodation may be difficult to let even at rents as low as 90p per square foot.

Rents have remained steady, however, for modern buildings with good access. The going rate is around £2 to £2.35 a square foot, rising to £2.50 for prime sites and small units. Against that, tenants are able to shop around. The result is that lettings may take up to three times longer than in more normal conditions. They are also likely to be seeking special deals such as a six-month rent-free period.

Although there is more space available than in the previous collapse of 1974-75 there have been no signs of panic. The unsettling factor last time was that financial constraints faced by developers caused a rush of new property into the market, which not only posed immediate problems but left a lot of slack to be taken up as the economy revived.

In assessing the future movement of rents, developers are aware that any upturn in the economy of the West Midlands is likely to be small and

gradual. Much of the manufacturing capacity reduced over the past two years will never return.

While there might be agreement that any recovery will be modest, few industrialists are prepared to forecast confidently when it will begin. The latest survey by the West Midlands region of the Confederation of British Industry provides no evidence of improvement.

Indeed, there are fears that current depressed levels of activity could lead to a further round of redundancies and closures this winter. Recovery is not expected until next spring at the earliest, and even that forecast is based more on hope than cold calculation.

There has been a significant amount of new building over the past two years, but evidence of a slowdown is provided by

### WEST MIDLANDS

ARTHUR SMITH

the survey from King and Co. This suggests that 1,275m sq ft of factories and warehouses are likely to be completed in the next six months compared with the 1,752m sq ft under construction in mid-April.

While there is a tendency to postpone new projects, architects and developers report that a considerable number of schemes have been prepared ready for an up-turn in the market. Developers seem to have responded to recession in an orderly fashion by reducing their land banks and borrowings.

One area where the depth of recession has provided some benefit in costs is construction. The slump in the industry and consequent fierce competition for contracts mean that building costs are perhaps artificially low.

Local authorities throughout the West Midlands, while annoying industrialists by levying supplementary rates, are seeking to promote new ventures. Perhaps the most dramatic recent initiative has come from Birmingham, where the Labour leader of the City Council claims that the aim is to stimulate the local economy.

The target of creating 15,000 new jobs over the next

five years has been set under a joint scheme with Aston University to provide a science and technology development centre.

Birmingham City Council has bought a 3.5-acre site next to the university where units of up to 10,000 sq ft for research and development laboratories will be offered to small concerns working on advanced products.

This venture is different from normal commercial developments in that tenants will be "selected." The council is looking for high-technology rapid-growth companies.

Aston University will provide management and consultancy services as well as a powerful research organisation which small companies would otherwise be unable to afford.

Birmingham Council maintains that American experience suggests a target of 5,000 new jobs in the industrial park over the next five years is realistic. Another 10,000 indirect jobs would be generated.

The first units will be available next April, but the council is confident that many of the new companies will outgrow their sites and look for premises elsewhere in Birmingham. More than 300 acres of greenfield sites are available and will be serviced under the local authority's industrial development programme.

A particular problem for Birmingham is the number of sites covered by out-dated premises. The city is campaigning strongly for a change in the rules governing the derelict land grant so that it can open up more sites for development.

West Midlands County Council believes it can make an important contribution in stimulating new development under its controversial plan to establish a Midlands Enterprise Board.

Here the aim is to form the board, backed by funds of £48m, by next January. Helped by directors and staff recruited from industry and commerce, the new agency will be charged with identifying investment opportunities.

Birmingham's Labour council argue the board should act as a catalyst and have an impact on all proportion to the local authority funds committed by attracting private capital from the institutions.

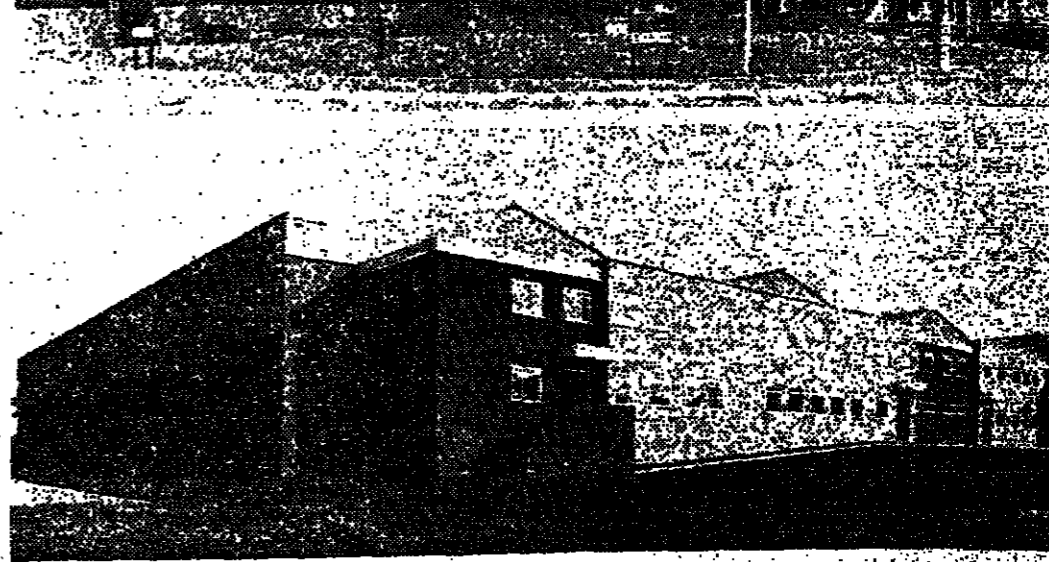
Local authorities are also active in promoting projects for small factories and "nursery"

units. The West Midlands County Council, for example, is spending more than £2m on a number of schemes. The largest project, due for completion next year, involves a 5.7-acre site at Small Heath, Birmingham.

A 49,000 sq ft building is being refurbished there to provide 24 industrial workshops. Six new units are also under construction.

The County Council is also engaged in a type of development usually considered commercially unacceptable to private enterprises. At Wednesbury 23 "seedbed" workshops to encourage the founding of new companies are scheduled for letting next year. Most cover about 500 sq ft and will be offered at subsidised rents on six-month leases.

TOP RIGHT: LCP Properties, which has five Midland industrial estates — at Pensnett, Wednesbury, Stourbridge, Kidderminster and Willenhall — has now completed work on a further 60,000 sq ft of units on the 30-acre Willenhall site. These are available, under full-serviced leases, in sizes ranging from 3,500 sq ft to 60,000 sq ft. The 30,000 sq ft Block "A", right, is now fully let. Also seen here is the 33,000 sq ft warehouse building, recently completed on LCP's Pensnett Trading Estate.



## State agency adopts commercial funding

THE PAST year has been a period of stark contrasts for the English Industrial Estates Corporation, the Government-owned agency that builds factories in development areas.

Inquiries from prospective tenants continued at a high level and the amount of floor space let actually set a new record. Yet at the same time there was an unprecedented number of existing tenants vacating premises and terminating their leases.

Over the year, the Corporation found 256 new tenants and lost 99 but ended up with a reduction of almost 50,000 sq metres in floorspace let, as most of the newcomers were small and several of the losses were of substantial companies.

The past year has also seen major changes in the Corporation as the recession and Government policy forced a change of strategy. The recession has forced the EIEC to adopt a more vigorous marketing approach and to concentrate its efforts on building small factories which unlike large units are still in relatively good demand.

The Government has encouraged this change of emphasis and told the EIEC to adopt a more commercial outlook. This has already resulted in the Corporation turning to the commercial market for funding. The National Coal Board Pension Fund has agreed to invest £15m,

while the Legal and General Assurance Society, Barclays Bank and the Midland Bank are each putting in £5m. A sum of £30m has been used to set up a new subsidiary company Beehive Workshops to provide small start-up units for new entrepreneurs.

Demand for workshops and small nursery factories continues to be buoyant and in many areas the EIEC can find tenants almost as fast as it can complete a building.

Larger factories are, however, sticking badly and several have now been vacant for some years. The Corporation hopes to solve the problem of the larger factories and the demand for small units by sub-dividing several of them.

Although there are a record

number of factories vacant, particularly in the North East and Merseyside, the EIEC is continuing with a major building programme this year.

Many of the empty factories are larger, older buildings in need of extensive modernisation and in rather unattractive areas, while most inquiries are about small to medium-sized factories in reasonably attractive surroundings.

The new Enterprise Zone policy has also created a need for further advance factories in these areas.

Rents currently average £124 a sq ft, but vary widely with size of premises and location. The smallest units fetch more than £2 a sq ft, while the largest are barely half that amount.

The EIEC's average rent in the North East is only £1.06 a sq ft, while in Cumbria it is £1.15; in Bodmin, £1.31; South Yorkshire, £1.38; and, rather surprisingly at the top of the scale, is Merseyside with an average rent of £1.48 a sq ft.

Latest figures show the corporation as having 794 occupied factories (employing 92,000), plus 478 vacant factories and 348 under construction.

The EIEC's top priority building programme is at Consett where the closure of the steel works has put one man in three on the role. Already 54 factories and workshops, totalling 12,500 sq metres, have been completed. Further units are planned.

A special effort is also being

made at Scunthorpe where redundancies in the steel industry have created a need for factories to attract new firms to the area.

In its traditional home ground of Tyneside, the EIEC is currently building factories at Newcastle Airport and Team Valley and has recently completed developments at Jarrow and Sunderland.

In Cumbria, a development of 14 workshops is taking place at Maryport and, rather against the trend, a number of existing factories are being extended.

On Merseyside, one of the few big factories being built at the moment is a 12,200-sq metres unit at Hoyton, for Lucas Aerospace. A workshop development has also recently been completed at Wallasey.

Several building schemes are taking place in Cornwall and Devon, although the two counties are rather problem areas for the EIEC as it is difficult to acquire land at a low enough cost to permit reasonable rents.

Just over 260 new factories, amounting to 89,000 sq metres, were completed in the last year which is a reduction on the previous year, but still a very substantial programme by the EIEC's historic standards.

JAMES MULRENNAN

### ENGLISH INDUSTRIAL ESTATES CORPORATION

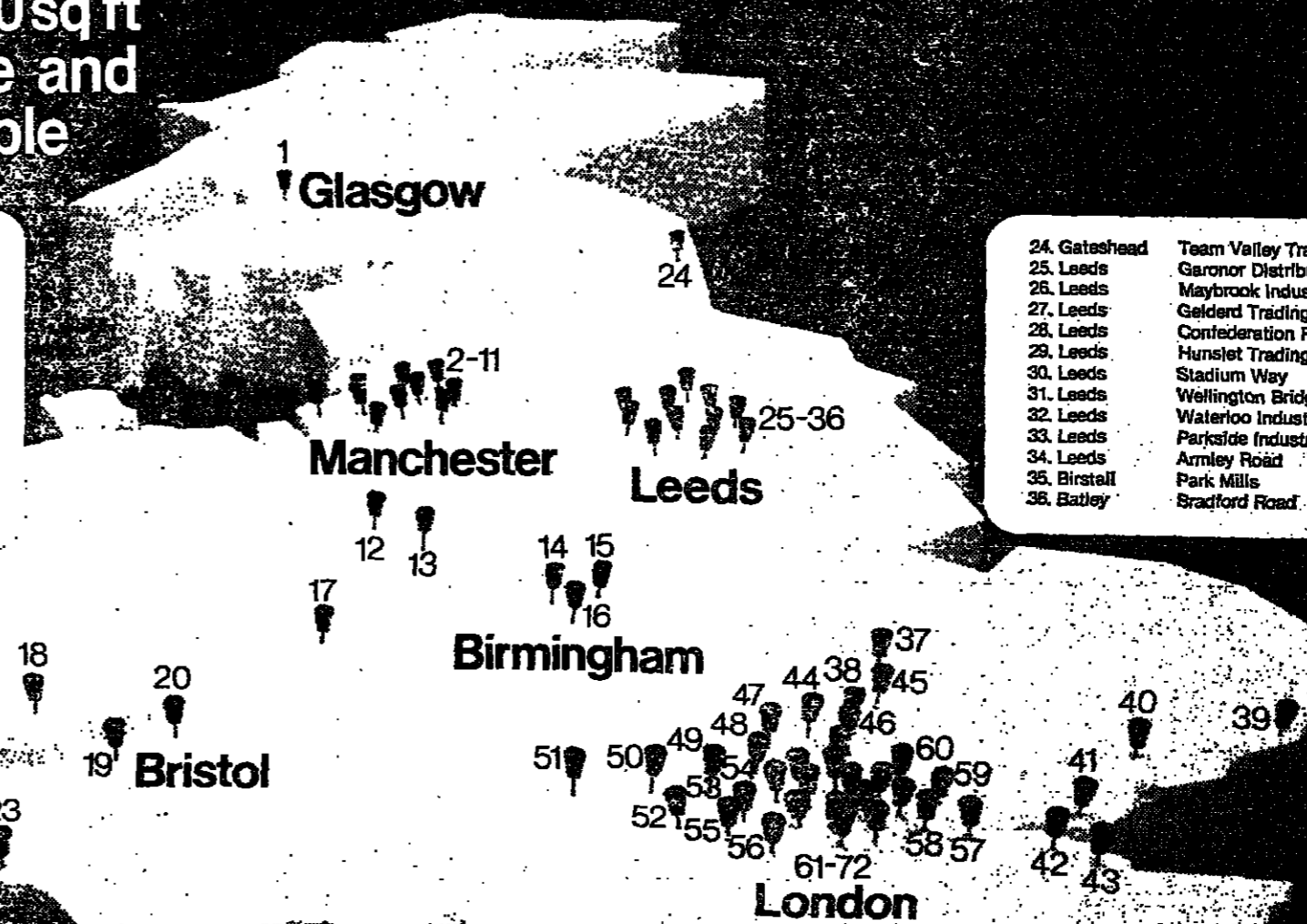
Lettings, vacancies and rents, 1980-1981

	up to 125	126-350	351-700	701-1,200	1,201-1,700	over 1,700	Total '000 units	'000 sq m
Vacant premises occupied...	52	108	35	16	15	17	243	132,148
Premises vacated .....	3	41	10	11	9	25	99	154,521
Initial rents £/sq m .....	22.52	14.74	12.63	12.40	11.72	11.73		13.35
£/sq ft .....	2.09	1.37	1.17	1.15	1.09	1.09		1.24

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|---|---|--|---|

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  - 55. Shepperton
  - 56. Thornton Heath
  - 57. Belvedere
  - 58. Erith
  - 59. Havant
  - 60. Enfield
- Bliton Fairway Estate  
Arundel Road  
Covett Avenue  
Beauchamp Grove  
Holley Road  
Manor Road  
Rushwick Road  
Baird Road

- Inner London**
- 61. Gidea Trading Estate, N16 10
  - 62. White City Industrial Park, W12
  - 63. Nine Elms Industrial Estate, SW9
  - 64. Easton Street, WC1
  - 65. Curtain Road, EC2
  - 66. New Inn Yard, EC2
  - 67. Creek Road, Deptford, SE8
  - 68. Woolwich Road, Charlton, SE7
  - 69. The London Industrial Park, E6
  - 70. Windsor Terrace, E6
  - 71. Blundell Street, N7
  - 72. Angel Road Trading Estate, N18

## DAVY SUCCESS IN INDIA

## The winning of a £1.25bn deal

By Hazel Duffy, Industrial Correspondent

THERE WAS an embarrassing moment in the Maudsley Hotel in Delhi earlier this year. Both the main "teams" competing for the £1.25bn contract for India's Paradip steelworks discovered that they had booked into the hotel for what looked like the final round of negotiations.

Shrewdly, the team from Davy and the team from Mannesmann Demag assigned themselves no-go areas in the bar and restaurant until the German-led team very diplomatically moved to another hotel.

This was but one incident in negotiations with the authorities in India which have gone on almost non-stop for the past six months. Mr Arthur Whiting, Davy's project director, has been over to India six times this year and Davy has had a senior man in Delhi almost permanently since January. Lazard's lead bankers in the financial consortium, have also had a man on the spot.

The two groups worked together on Paradip from the outset, because they knew that



the financial package would be as important in clinching the contract as the technical package.

The financial deal that finally won the day includes £100m of additional aid from the British Government (ie on top of aid that had already been promised to India), plus a \$450m loan which is covered by the Export Credits Guarantee Department. The French contribution to the package covers some £230m of export credits and aid. The West German contribution is equal to some £100m in export credits but no aid.

The aid element in the package proved crucial. The West German Government refused to increase its aid to India to help Davy's rival consortium led by Mannesmann Demag, but also including such British companies as GEC, Vickers and Taylor Woodrow. The Indians, having accepted the need for Paradip to be financed externally, insisted that the "total cost" of the imported equipment should be financed by export credits. It was because of this that

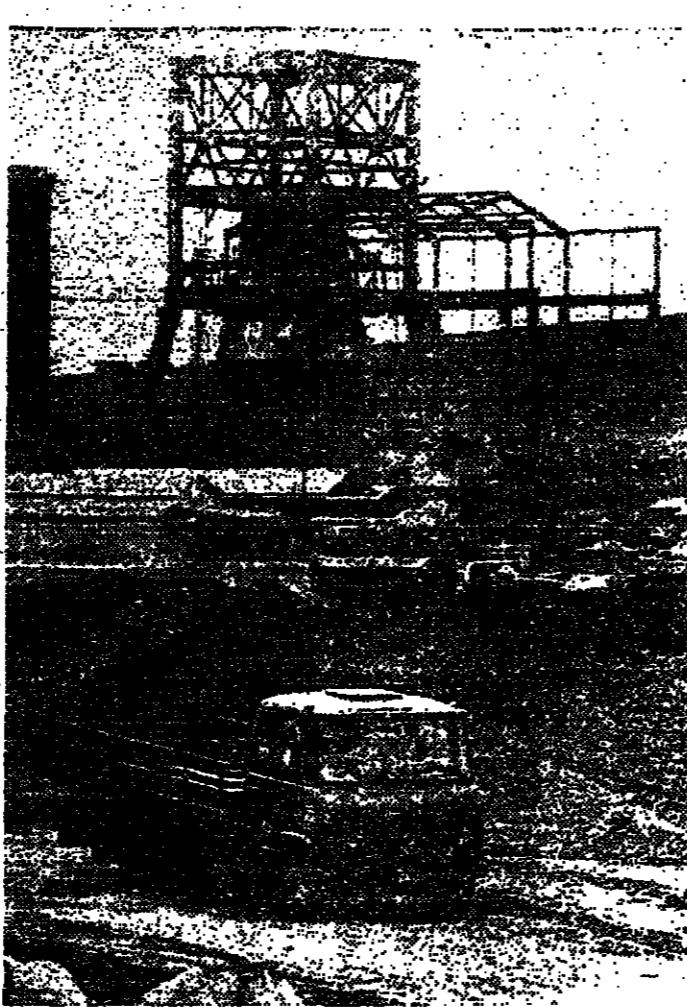
Davy decided to form an international consortium. The British and French Governments (unusually for the latter, which normally only agrees to aid if the consortium is led by a French company) proved very accommodating—to say the least—in helping edge the contract towards Davy. In the process they underlined again the cutthroat nature of the international "export credit war" in the current recession.

The average rate of interest on the total package—which includes a large element of straightforward aid and some \$750m of Eurocurrency loans at an average of 7½ per cent a year—works out at about 4.5 per cent. The OECD's export credit guidelines, on which agreement has yet to be reached at present stipulate that the interest rate on credits for a project like Paradip should be 8.25 per cent.

Davy knew the importance of going in with bankers because of its experiences in Brazil. The technical and financial package which won Davy the Aco Minas iron and steelworks contract in Brazil four years ago was, in many respects, very similar to that in India. In the past, we would talk to the client as contractors, the bankers often not being brought into the detailed discussions until the very last stages, says Mr Whiting. But in Brazil, Davy went in with Morgan Grenfell at the start.

The story of Paradip goes back nearly three years when the Davy Government first indicated its interest in integrated coastal steelworks. The first contract for the steelworks at Vishakhapatnam in the south went to the Russians without going out to tender. Paradip, on the east coast in the state of Orissa, therefore stood a good chance of going to the West.

The greenfield site covers some 10 sq kms. When the first stage is completed it will produce 1.3m tonnes of structural steel, to be used in buildings and civil engineering. The plant is to be built for the State-owned Steel Authority of India. India's current installed capacity for steel production is just over 12m tonnes, although all the public sector plants are operating at well below their rated capacity. Davy, as lead contractor, will



The Aco Minas iron and steelworks in Brazil: The beginning of Davy's strategy of working closely with bankers

be responsible for everything within the perimeter fence, although the actual construction work will be sub-contracted to Indian companies. Almost all the equipment is to be imported, providing substantial work in the UK, France and West Germany. Davy's subsidiary specialist in rolling mills, Davy Loewy, will share some of the major orders with Schleemann-Siemag in West Germany (part of MAN, which is owned by the huge GHH engineering group). Aishmon in France will provide the major part of the electrical requirements.

A large number of sub-contractors will be involved, providing an estimated 50,000 man-years of work in Britain alone. The orders, the first of which are expected to be placed in the

early part of next year, will be particularly welcome in the heavy fabrication and machine shops of process plant-makers in the hard-pressed areas of the North-east, Scotland, the Midlands and the North-west.

This explains why such tremendous efforts were made on Davy's behalf in Whitehall. To begin with the Indian authorities were embarrassed by the fact that there were two independent British bidders—Davy, and the British Steel Corporation—whereas the French and the Germans would only ever field a single bidder. SSC agreed, however, to support the Davy bid after some discreet pressure from Whitehall.

Both Lazard's and Davy ex-

tend high praise to the Projects and Export Policy (PEP) unit set up about two years ago by the Department of Trade and Industry to improve Britain's chances of winning big overseas contracts. PEP acted as the main link with Government, particularly with ECED, the Overseas Development Agency, and the Treasury.

Meanwhile an enormous diplomatic flag-waving exercise got under way. From the spring of 1980, just as Mrs Gandhi's Government was finding its feet, a string of British visitors to India's capital found themselves being well-briefed in Whitehall on the Davy cause. The permanent secretaries from the Departments of Trade and Industry were followed by Prince Charles (whose visit did much to register Britain's acceptance of the Gandhi Government), Mr John Biffen (Trade Secretary), and finally this spring the Prime Minister.

Mrs Thatcher, by all accounts, was determined to see the Paradip contract land in Britain's lap. Twelve months earlier, President Ciscard d'Estaing had succeeded in coming away from India with the contract for a big alumina project to be built and financed by the French. All these efforts on Davy's behalf, however, were not going unnoticed by some of the British companies which stood to gain substantial orders if the leading rival bidder, Mannesmann Demag, won the Paradip contract. They made their feelings known in Whitehall, but once Davy had been identified as Britain's bidder there was no shifting of ground.

The business of competing for these huge contracts is very expensive. First, there are the necessary personal contacts to be made. Davy executives were fortunate in knowing India reasonably well—the company had been one of 14 British companies which built the Durgapur steelworks in the 1960s. On the financial side, Lazard's, which has worked frequently with Davy (its chairman, Mr Ian Fraser, is on the Davy board) had taken an early initiative in India as soon as it became apparent that the country was turning towards external financing to get some of its capital projects under way. But it was actually a coinci-

dence that Davy executives were in Delhi nearly three years ago to investigate India's steelworks requirements at the same time as Mr David Thomson, a director of Lazard's (whose brother, Sir John Thomson, is High Commissioner to India).

By far the biggest expense in competing for these contracts is the preparation of the specification. Davy says that, after a long period of discussions, its technical proposals were accepted in full and became the basis on which all the bids were to be submitted. The Indian authorities then decided to change their requirements from a complete (turnkey) package to one where they asked for a



fixed price for the engineering and construction activity alone, and separate quotes for the equipment.

Davy complied, but Mannesmann Demag declined to tender on this basis, which, according to Davy, made the German bid more competitive. Davy then re-submitted on a turnkey basis about five months ago, and the process of final negotiations got under way. The other bidders from Canada and Romania seem, at this point, to have been virtually excluded.

The specially appointed committee of Government and Steel Authority officials who were in negotiation with the two main bidders then wrote their report for submission to the Indian Cabinet about five weeks ago. On the evening of September 23, a message went to the High Commission in Delhi stating that a letter of intent on Paradip would be going to Davy the following morning.

The cost of getting the contract is estimated by Davy at "close to £500,000." For Davy's 1,200 design and contract workforce at the company's Stockton-on-Tees office, the contract is vital for continued workloads. Over the next four years, as many as 200 at any one time will be in Paradip to supervise the engineering and construction. For the process plant industry, which is suffering from a dearth of home orders, it will mean survival—at least for some.

## Lombard

## King Wenceslas looks out again

By Samuel Brittan

WHAT IS the Wenceslas myth? It is that modern governments have the means at their disposal to increase the welfare of their populations, but choose not to do so through malevolence or inefficiency.

King Wenceslas was a feudal monarch, with substantial personal resources who could dispense food and fuel to his poorer subjects, as the old carol relates. Such gifts, if made on any scale, were a personal cost to him. He was, for instance, less able to indulge in luxurious living or go forth on foreign wars.

By contrast the 20-odd people around a modern Cabinet table do not have it in their power to be mean or generous. To be grateful to a minister for an increase in, for instance, child allowances, or to hate him for not increasing them, is to make what is called a category mistake.

The people who provide child allowances are the childless taxpayers from whom the net transfers are made. To call on the government to help any particular deserving group is a moral cop-out, the purpose of which is to avoid identifying who is to pay the cost and to suggest that a free lunch is on offer.

Not that one should weep any tears for the politicians who bear the brunt of the popular fury. For in their own election campaigns, especially when out of office, they have whipped up excessive expectations of what can be achieved if only their own side were elected.

Can anyone remember an election where a contender had an answer for the question posed by Lester Thurrow: "If elected whose income do you and your party plan to cut in the process of solving the economic problems facing us?" (The Zero-Sum Society, Basic Books 1980). I mean really answer, and not just say "the rich" or "the bureaucrats," without doing any of the sums.

Nor should it be supposed that it is only interventionist or left-wing governments which promise too much. To do so is the trade of all politicians—and of sideline critics. Just as the Labour Party votes for shorter hours with the same pay, and more government spending with

lower taxes, Republican and Conservative governments promise similar miracles from non-intervention.

The Reagan administration imagined that it could engender a spurt of economic growth by some very modest tax cuts, which were not cuts at all, but simply the indexation of tax thresholds for past inflation, of a kind that is almost automatic in many parts of Europe. The "monetarist" aspect of the Reagan programme was always the serious part while "supply side economics" was just a counter display for gullible customers.

The Thatcherites are in turn open to criticism, not for doing too little, but for promising too much. Take for instance the last Budget and the decision to increase taxes to reduce government borrowing. The correct argument was that, with less borrowing, interest rates would be lower than they would otherwise be. But this was too boring and unqualified a claim. Instead they had to say that interest rates would decline—which they were not in a position to do without being able to predict the whole future course of the world economy, including U.S. monetary developments.

The last example shows how exaggeration of a government's role goes with the other vice of insularity. The real mistakes of the incoming Conservative Government in 1979 were not just the shift from income tax to value-added tax and the acceptance of the Clegg public sector pay awards, viewed in a domestic context. The failure was to appreciate the world economic storm unleashed by the second world oil price explosion.

The worldwide shock to both prices and output required a return to the drawing board and provided a justification for going back on unrealistic election pledges. Instead all parties in the 1979 election behaved as if they believed with Mr Denis Healey that inflation was permanently down to 8 per cent.

It would be inhuman to expect the Social Democrats to make their main slogan an insistence on how little they can do if in office. But a small shift in that direction would be a great benefit.

## Letters to the Editor

## Britain's changed relationship with Malaysia

From Messrs P. Long and R. Wedgwood

Sir—Your leader of October 1 on Malaysia contains an error of fact. Forty-nine per cent of Dunlop Estates, which obtained a local quota in 1967 before the new economic policy was formulated, is in Malaysia, but not necessarily Malay hands.

This, however, is a small point. There is another, more important one. Malaysia has a special relationship with Britain. This has its origins in history. In so far as it is possible to make any general statement of the mood of the nation one might say that Malaysians would wish the special relationship to continue, but only as one between equals. Unfortunately there has been in the last few months a succession of incidents in which the Malaysians have

seen the British as vacillating between two other contradictory assumptions, one that the old colonial relationship persists, and the other that the "special relationship" has ceased to exist entirely.

Unfortunately the criticism in your leader, particularly its tone, does its bit to reinforce the appearance of the first assumption. As such it has contributed in a small way to the general deterioration in relationships between Malaysia and Britain that has taken place in the last few months. On behalf of our partners, we would like to make some more positive points.

Malaysians, like citizens of many other countries formerly administered by Britain, have a wholly understandable desire to see a higher percentage of their country's assets owned by Malaysians. It is in Britain's true best interest actively to

assist, not to stand in the way of, this aspiration.

Malaysians, almost alone, are prepared to pay a reasonable price, sometimes even a generous one, for the repatriation of the ownership of Malaysian-based assets. This should be a cause for rejoicing, not for carping criticism and for references to "backdoor nationalisation," etc.

Malaysia's aspirations and actions have been consistently misunderstood by sections of the British business community and even by Government. Unfortunately it is the views of these sections that have received the greater publicity and, in Malaysian eyes, have seemed to stand for British attitudes in general. It is time to redress the balance.

P. E. Q. Long,  
H. M. Wedgwood,  
Lawrence, Frost and Co.,  
Basildon House,  
7-11, Moorgate, EC2.

## Surely it is wrong to tax food

From the Deputy Director-General, Food Manufacturers' Federation, Inc.

Sir—The EEC Commission's draft proposal for a tax on oils and fats, as reported by your Brussels correspondent (October 1), is strongly opposed by members of the Food Manufacturers' Federation. Oils and fats are important raw materials in a very wide range of processed foods, and food prices would have to rise as a result of such a tax.

The Commission's philosophy in dealing with food mountains and oil lakes is still to maintain artificially high prices and tax competing products.

Surely, in principle, it must be wrong to tax food?

H. B. Williams,  
6 Catherine Street, WC2.

## Spectacular football for spectators

From Mr C. Edwards-Ker

Sir—Trevor Bailey (September 28) took a risk in suggesting that the Football Association had not found the answer to restoring attacking soccer with its latest legislation. For if the new system of three points for a win does eventually have the desired effect, he will be criticised for jumping too quickly to pessimistic conclusions.

The reality of the situation, however, is that Trevor Bailey is quite correct in stressing the weakness of the new ruling. A team leading away from home will be tempted to freeze a match and defend such a valuable position. The obvious solution must be that adopted in France five years ago (and wrongly dismantled after complaints from AS Nancy-Lorraine). The French adopted a more intelligent method which gave an additional point to any side who scored three goals in a game, winners or losers alike. Losing sides therefore continued to attack to try to reach this target, and salvage a point. Spectacular and high-scoring games took place, with of course an immediate increase in spectators.

If attractive soccer is to return, more positive measures are needed very soon. Have the Football Association got the imagination to break away from previous insular conservatism?

Charles Edwards-Ker,  
University of Bristol,  
61, St Michaels Hill,  
Bristol.

## The demand for different varieties of bread

From the Group Sales and Marketing Director,  
Holman Malt Products

Sir—As the company which developed, and then pioneered, the marketing of the brown bread with real flavour, i.e. registered trade-marked "Granary," we were interested to read David Churchill's article of September 28. We agree with the conclusion that the demand for different varieties of bread, particularly flavoured, high fibre types, is bound to keep increasing for some time yet.

There are, however, three matters of fact or emphasis in the article which merit comment. Whatmeal flour does not have to be "white" flour with bran added. If Mr Churchill had researched thoroughly, he would have found whatmeal flour is clearly defined in the flour regulations and millers can, and do, achieve the legal specifications by conventional milling methods, rather than by removing all the bran and adding some back. Artificial colouring for whatmeal breads and, in many cases, none is used. Whatmeal bread is categorically not open-textured. Because the non-fermentable content of wholemeal flour is higher than in white flour, the yeast has less energy on which to feed, produces less carbon dioxide and (without any additives) must per se produce denser, textured bread. Most commercial "brown" breads, such as wholemeal, contain

which, incidentally, do not have to be dry. It's all a matter of taste.

Trevor Griffiths,  
Grainary House, Wetmore Road,  
Burton-on-Trent,  
Staffordshire.

## Not a sign of French chauvinism

From the Chairman,  
European Community Youth Orchestra

Sir—I am writing with reference to the article entitled "Tuning up to world class" (September 28) written by Ian Davidson.

We were delighted with the article but would like to draw your attention to one paragraph which is basically incorrect. Mr Davidson's comments about the poor relations between France and the European Community Youth Orchestra are totally inaccurate. We have enjoyed superb co-operation from the French authorities since the inception of the EYO in 1978. The French Ministry of Culture and Foreign Affairs has annually given the orchestra a grant; the first competition to select the French players was organised by Radio France and subsequently by the Ministry of Culture and Communications.

Naturally we are always looking to improve these competitions and thereby obtain a more equal representation of players from each Community country and we are hoping to

increase the number of French players for next year as we are in Italy, Denmark and Greece.

We therefore felt that Mr Davidson's comments were not only false but unjustified in this part of his otherwise excellent article.

Lionel W. Bryer,  
European Community Youth Orchestra,  
24, Cadogan Square, SW1.

## Members of Parliament or marionettes

From Mr C. Meakin

Sir—It is high time someone arraigned Mr Benn for contempt of Parliament. He wants MPs to be responsible, not to their consciences having heard the problems analysed on public record, but to privately-appointed party censors who take the decision in advance according to "evidence" of their own devising.

In the brave new world of Tony Benn, MPs would be mere marionettes and Parliament reduced to puppet-theatre as irrelevant and unconvincing as those of Eastern Europe. Even British kings of four centuries ago recognised, as Mr Benn refuses to recognise, that government by consent requires an assembly answerable to the public at large: not just to those who espouse one particular cause.

Christopher Meakin,  
59, Court Lane, SE21.



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A copy of this document, having attached thereto the documents referred to below, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange in London for all the shares ("the shares") of Minerals Oils and Resources Shares Fund Inc. ("the Fund") to be admitted to the Official List. In this document "dollars" and "\$" mean United States dollars.

# M O R E S

## Minerals Oils and Resources Shares Fund Inc.

(Incorporated as a sociedad anonima under the Laws of the Republic of Panama)

### SHARE CAPITAL AND INDEBTEDNESS

The authorised share capital comprises 5,000,000 shares of \$0.10 each of which 300,000 shares have been placed, subject to admission to the Official List, at an issue price of \$10 per share (including brokerage of \$0.20 and premium of \$9.70).

As at 30th September, 1981, the Fund had no loan capital outstanding or created but unissued, no mortgages or charges and no borrowings or indebtedness in the nature of borrowings outstanding, including bank overdrafts, liabilities under acceptance credits, hire purchase commitments, guarantees and other material contingent liabilities.

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### SECRETARY AND TREASURER

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### THE FUND

The Fund is an open-ended investment company incorporated in the Republic of Panama on 16th September, 1981 as a *sociedad anonima* under Law 32 of February 26, 1927 of the National Assembly of Panama. The Fund is constituted by Articles of Incorporation and Bylaws, relevant provisions of which are referred to herein. Under the terms of the Placing Agreement referred to below, Strauss, Turnbull & Co. has agreed, subject to the Council of The Stock Exchange admitting the share capital of the Fund to the Official List not later than the 9th October, 1981, to subscribe or procure subscriptions for 300,000 shares of \$0.10 each at the issue price of \$10 per share. The capital structure of the Fund allows it to issue and redeem shares at prices based on the underlying net asset value of the Fund.

Shares are issued and redeemed by the Fund on any Dealing Day, normally once in each week, by reference to the valuation made on the last preceding Valuation Day. A Valuation Day is a Thursday or, if that day is not a business day (being a day on which banks in Jersey are open for full banking business), the next following business day. The Dealing Day is the business day next following the relevant Valuation Day and so will normally be a Friday.

The liability of a member to the Fund in respect of his shares is limited to the amount of the issue price of such shares for the time being remaining unpaid.

Shares are denominated in dollars and represented by registered certificates. They are freely transferable.

### BACKGROUND

The Fund is primarily designed to offer investment across a wide range of extractive industries as well as in related service and finance companies. Timely investment in the shares of metal mining companies can offer exceptional opportunities for investors prepared to accept the risks inherent in any commodity-related investment. The same possibilities occur in the shares of oil and other energy-related companies.

The Board of the Fund and its advisers believe that the long-term prospects for mining and petroleum shares are good, although the cyclical nature of these industries means that successful investment in them requires constant study. Traditionally, investors have used the shares of individual mining finance houses and of prominent oil companies to cover these fields but many factors, not least the consequence of considerable takeover activity in the recent past, mean that the commodity mix may no longer be appropriate to current needs. Furthermore, the effects of inflation on mining costs and the volatility of commodity prices require the successful investor to be highly selective and to have access to specialist advice; this will be available to him through investment in the Fund. For institutional funds which do not have the capacity or willingness to monitor these specialist markets on a day-to-day basis, as well as for the private investor, the Fund offers investment in a flexible and well-spread portfolio as well as access to the mining industry expertise and professional investment advice of Strauss, Turnbull & Co.

The Bylaws of the Fund specifically preclude investment in commodities or in futures markets. For the purpose of liquidity, cash, short-term securities and other fixed-interest investments may be held. It is not the present intention of the Board of the Fund to borrow monies other than for short-term requirements.

The investment objective of the Fund is to seek capital appreciation from its portfolio and at the same time to provide an income return to investors. Investments will normally be listed on recognised securities exchanges, although the Fund is free to hold a proportion of assets in investments that are not listed. There is no minimum requirement for diversification of its portfolio by country, but the Fund will attempt to reduce the risks associated with being invested in the economy of any one country by having a spread of interests.

### INVESTMENT POLICY

The Fund is primarily designed to offer portfolio investment in the extractive industries. This includes mining companies, mining finance houses and companies involved in exploration, drilling and shaft sinking, primarily in Africa, North America and Australasia; oil producers and prospecting companies world-wide; and companies serving any of these sectors.

The general aim of the Managers will be to distribute the portfolio as to one-third precious metals (for example gold, silver, platinum), one-third other minerals (for example copper, nickel, lead, zinc, aluminium, iron ore, diamonds) and one-third energy (for example oil, gas, coal). Considerable variation will take place from time to time on account of the general economic outlook, the business cycle or considerations of market performance and the need for liquidity for general corporate purposes. In view of the nature and pricing of the underlying assets, the Fund is effectively a U.S. dollar investment.

### INVESTMENT RESTRICTIONS

While the Fund has broad powers as to the type of investments it may make and the investment methods it may adopt the Fund will:

- (i) not invest more than 10 per cent. of its assets in the securities of any one company, including loans or shares in its own subsidiaries.
- (ii) not invest more than 20 per cent. of its assets in:—
  - (a) securities not listed on any principal stock exchange, for which purpose securities quoted on the NASDAQ system in the USA are treated as listed securities. Unlisted securities will also be taken to mean real estate and mining leases; or
  - (b) holdings in which the Fund's interest exceeds 20 per cent. of the aggregate of the equity capital (including any capital having an element of equity) of any one listed company.
- (iii) not make short sales.
- (iv) not acquire physical commodities.

The power to purchase options and to invest in real estate will only be exercised as part of an investment scheme. There is no intention to make direct investment in real estate in other circumstances and there is no intention to trade in options.

### DIVIDENDS

A conventional distribution policy appropriate to an investment trust will be followed, namely substantially the whole of the net income of the Fund, after charging expenses, will be distributed. In view of the wide disparity of yield obtainable on the types of investment in which the Fund expects to invest, the Directors cannot forecast a rate of dividend.

### ADMINISTRATOR AND REGISTRAR

The Fund and the Managers have entered into an Agreement with The Royal Trust Company of Canada (C.I.) Limited appointing it to act as Administrator and Registrar to the Fund, to administer the Fund's affairs including the calculation of the net asset value of the Fund, the issue and redemption of the Fund's shares, and the maintenance of the Register of Shareholders and to provide the necessary secretarial and other services for managing the Fund's day-to-day affairs.

### CUSTODIAN

The Fund has entered into an Agreement with Royal Trust Bank (Jersey) Limited appointing it to act as Custodian of the Fund's assets. Investments and cash of the Fund are held to the order of the Custodian, which receives proceeds of, makes payment for and delivers securities bought and sold by the Fund and which receives the income of the Fund.

### FEES AND CHARGES

#### On issue of shares

There is no initial charge payable to the Fund on the issue of shares, save on the initial issue pursuant to the Placing Agreement and subsequent issues until 20th October, 1981, where the issue price of \$10 includes a fee of \$0.20 payable by the Fund to Strauss, Turnbull & Co., out of which it will pay a fee to introducing agents.

On subsequent issues of shares a brokerage fee of 2 per cent. will be added to the contract in the case of applications for subscription which carry the stamp of an approved agent, the whole of which fee will be paid to the agent.

Fractions of shares will not be issued and fractional sums accruing from subscriptions will be credited to the Fund.

### Management and Administration Charges payable by the Fund

The Fund is responsible for payment direct of the fees of its Directors, fees and expenses of its Auditors, and fees, charges and expenses of its Custodian and Bankers. In addition the formation expenses of the Fund and the expenses relating to the placing and application for listing will be paid by the Fund (see "Miscellaneous", paragraph (3) below).

The Fund shall pay or reimburse to the Managers all other fees, expenses and charges of operation incurred by the Fund or the Managers on behalf of the Fund (excluding Jersey Income Tax on the Managers' profits) in maintaining their corporate existence and the administration of their business and affairs, including the fee payable to Dr. Collender, the fees of the Directors and Auditors of the Managers, and shall also pay the Managers an annual fee equal to 5 per cent. of the aggregate of such fees, charges and expenses, excluding items of a capital nature, expended in each financial year of the Fund as shown in the annual audited accounts of the Fund and the Managers.

### VALUATIONS AND ISSUES AND REDEMPTIONS OF SHARES

After the expiry of the initial period (see "Issue" below) the net asset value per share of the Fund will be determined each Valuation Day by reference to the latest closing prices on the relevant exchange preceding such Valuation Day by dividing the net asset value of the Fund by the total number of shares of the Fund in issue. For the purpose of determining the net asset value of the Fund securities with readily available market quotations will be priced at middle market valuation while all other investments will be valued at their fair value determined in good faith by the Stockbrokers, although the actual calculations will be made by others acting pursuant to the direction and supervision of the Board; from the value of the assets will be deducted the liabilities of the Fund, actual and contingent.

### Issue

The initial price of \$10 per share (including brokerage of \$0.20) will remain fixed until 20th October, 1981. Thereafter, the issue price will be the net asset value per share plus such a percentage as the Board of the Fund considers is necessary to cover expenses of dealing in the underlying portfolio and creating new shares; for the time being this percentage will be 2.75 per cent. of the net asset value per share.

### Redemption

The redemption price will be the net asset value per share less such a percentage as is necessary to cover the expenses of realisation of an appropriate proportion of the underlying portfolio and the redemption of shares; for the time being this deduction has been fixed by the Board of the Fund at 2.4 per cent. of the net asset value per share.

### Subscription

Application for shares may be made on an application form in accordance with instructions set out in that form and the completed form, together with a remittance for the full amount payable should be sent to the Fund at Royal Trust House, Colombarie, St. Helier, Jersey, Channel Islands. Shares will be allotted on the next Dealing Day following receipt of the application (or if the application is received after 15.00 hours, Jersey time, on the last business day preceding a Dealing Day, allotment may be deferred until the next succeeding Dealing Day). Share Certificates will be issued in accordance with the instructions given in the application form not later than fourteen days after the date on which the relevant shares are allotted.

There is no minimum holding and no minimum addition to an existing holding but fractions of shares will not be issued. The Fund reserves the right for applications to be rejected without giving a reason therefor.

Shares may be issued in exchange for investments on such basis of valuation as the Managers may think fit if they are satisfied that the terms of such exchange are, not such as are likely to result in any material prejudice to existing shareholders.

Shares may also be purchased on The Stock Exchange in the usual way.

### Realisation

Shares will be redeemed by the Fund on any Dealing Day on or after 27th November, 1981. A shareholder wishing to realise some or all of the shares registered in his name must complete the endorsement on the reverse of the certificate(s) for shares to be redeemed and send the same to the Fund. Certificate(s) so endorsed must be received by the Fund before 15.00 hours on the business day preceding the relevant Dealing Day in order to be realised at the price applicable to that Dealing Day. U.S. dollar cheques will be posted within three weeks of the Dealing Day. Partial realisations are permitted and a balance certificate will be posted to the shareholder within 21 days after the relevant Dealing Day together with the proceeds of the partial redemption.

Alternatively, shareholders may sell their shares on The Stock Exchange in the usual way.

### Equalisation

To avoid reduction in the amount per share of the Fund's accrued income as a result of subsequent issues of shares, the subscription price of shares may include an equalisation amount equivalent to the amount of income attributable to each share in issue on the relevant Valuation Day. Equalisation payments are normally either repaid to shareholders with the first dividend paid after the issue of the relevant shares or, if still outstanding on the redemption of the shares or in liquidation, are included in the proceeds as capital.

مكتبة العمل



## NEW YORK

٥٨: اعراس الأعراس

## FINANCIAL TIMES SURVEY

Monday October 5 1981

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## CANADA BANKING, FINANCE AND INVESTMENT

Canada and its financial institutions are in a minor revolution under the impact of new regulatory laws and Mr. Trudeau's nationalist policy. Competition for private deposits is hot and foreign banks have been let into the arena, though under strict control. Bank profits are steeply up from a poor 1980, but Ottawa's ambition to give Canadians greater control over their industries has impaired the investment climate.

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# To prosper in the energy jungle, you need an edge.

## The Edge:

That's us. The Royal Bank of Canada. As North America's fourth biggest bank and with assets exceeding \$Cdn. 60 billion, we have consolidated our international strength as a bank, by adding to our long established technical expertise in energy and mining. What makes us a world leader? Our Global Energy and Minerals Group, with the largest reserve of technical experts on staff of any bank in the world. What we get into. Led by the former Chairman of Canada's National Energy Board, our technical division enables us to become involved in diverse

and distant projects — from financing North Sea oil to acting as financial advisers on a major Australian pipeline. What we do. We can handle project evaluation and financial structuring in oil sands, synfuels, rigs, pipelines, refineries and petrochemicals. We lend financial support to offshore petroleum development, conventional oil and gas production, rigs, heavy oil, enhanced petroleum recovery, coal mining projects, you name it. There's more. With the help of our Resource Information



and Analysis Group, we provide expertise in oil and gas price forecasts, costs and royalties, as well as government regulations, project intelligence, energy and minerals information resources. We also provide modelling and simulation of project financial flows and risk. How to tap our resources.

You can reach the Global Energy and Minerals Group at its offices in London, Singapore, Denver, Dallas, Houston, Calgary, Toronto or Vancouver.

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Within as little as 24 hours, we can have experts on your site to discuss your needs. We have the lending capacity to do business of any size, anywhere in the world. We know you want fast, accurate results. That's what we give. We know you want people who understand your business. That's what we have. We know you want a world class bank with proven capabilities. That's what we are. To survive and prosper in today's energy jungle, you only have one choice—Call us.



### THE ROYAL BANK OF CANADA

North America's Fourth Biggest Bank.\*

## CANADA BANKING II

The performance of and prospects for the financial institutions in Canada

## Charting the troubled economic and political waters

**THE CHARTERED BANKS**, dreadnoughts of the Canadian financial world, are sailing in steady fashion through the choppy waters of the Canadian and world economies.

Profits are up steeply this year, though admittedly from a low base, and the prospects are that the underlying increase in business volume will be continued next year.

This performance has not been achieved without a struggle. Competition for customers' deposits is hot and many areas of the economy are giving cause for concern. The Canadian dollar has been weak this year. In the summer there was something of a foreign exchange rate crisis and the pressures are still strong. That need not necessarily be bad for the financial institutions. When the Canadian currency weakens the value of the banks' substantial foreign assets, expressed in Canadian dollars, goes up, contributing to nominal profits.

Moreover, the depreciation which began five years ago, when the Canadian dollar was above par with the U.S. dollar, has restored the competitiveness of many important industries in Canada.

Nonetheless, the economic outlook is clouded after a strong first half of this year, when Canadian growth, in the 4.5 per cent real growth bracket, outdid that of the U.S. An unemployment rate of about 7 per cent, an inflation rate this year of about 13 per cent (as measured by the Consumer Price Index), and a worsening external current account have been the black spots.

No immediate improvements are in sight. The inflation rate is expected to rise next year, while growth has begun to decline. A worsening of the terms of trade and rising import demand has brought the merchandise trade surplus down from last year's excellent result of C\$7.8bn (about £3.6bn at the present exchange rate): this year the figure may be C\$5bn-C\$6bn.

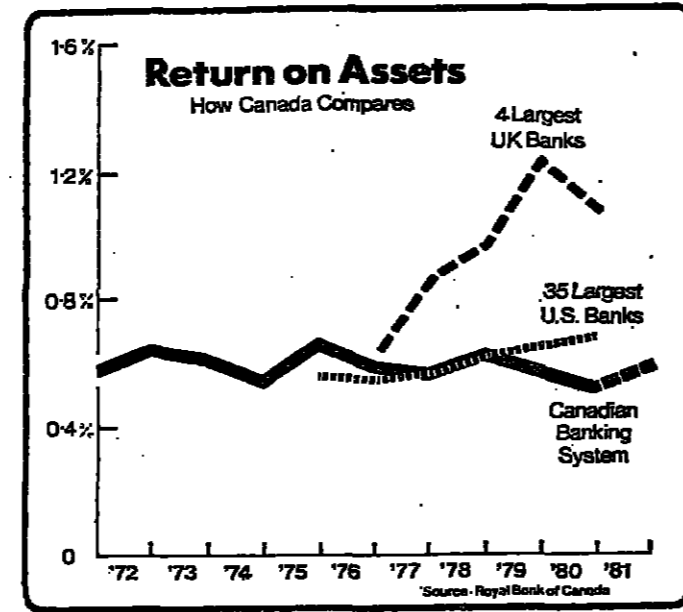
The current account, loaded down by ever rising interest payments on Canada's international debt, was in deficit by C\$1.9m last year, which may widen to C\$4bn-C\$5bn in 1981. Government strategy to solve these problems will not be known before the next budget, expected in October. Meanwhile, the Bank of Canada has been keeping interest rates high as an anti-inflationary measure which has also supported the exchange rate.

What became known after the Government of Mr. Pierre Trudeau had held its first strategy meeting in mid-September implied that there was no intention of allowing interest rates generally to drop below U.S. levels.

On the positive side, an agreement reached on pricing oil, which will offer the world price to reserves discovered since the beginning of this year and allow the price of "old oil" to climb towards it, should stimulate energy investment.

The huge amounts that this will require over the next few years are discussed in a special article in this survey.

On the political side, Canadian banks will continue to operate in a climate of economic



nationalism at home—a climate from which, at least in the past, they have often seemed to benefit. Though C\$103bn of their total assets, as of October 31 last, the end of their fiscal year, was denominated in foreign assets, and though the Canadian Big Five are represented in many countries, the Bank Act of 1967 denied foreigners the right to own Canadian banks.

The maximum foreign stake in a Canadian bank was 25 per cent, with any one shareholder (foreign or Canadian) restricted to 10 per cent.

That was changed by a new Bank Act which came into force a year ago. Its enactment has allowed the numerous financial

institutions set up by foreign banks in Toronto, Montreal and elsewhere to apply for bank status proper. In fact, they have been told that the authorities would not take it kindly if they failed to apply.

It means submitting to a regime which, for the first time, forces them to maintain reserves interest-free with the Bank of Canada, and places restrictive conditions on their potential growth.

The new regime for this sector of the banking industry, holding assets of some C\$10.4bn, is discussed in a special article in this survey.

In spite of the restrictions, the avowed intention of the

THE BIG FIVE CHARTERED BANKS ASSETS AND PROFITS					
	Assets (C\$ bn)		Balance of revenue*		
	July '80	July '81	C\$ m, nine months from:	Nov '79	Nov '80
Royal Bank	58.8	55.8	229.9	377.2	
Canadian Imp. Bank of Commerce	52.4	63.0	133.2	225.9	
Bank of Montreal	44.9	60.5	190.6	267.9	
Bank of Nova Scotia	40.2	48.6	159.3	170.1	
Toronto Dominion	32.5	43.3	123.1	195.3	

new Bank Act of 1981 was to increase competition in the Canadian financial system, in which much of the competition takes place between different classes of institutions rather than between institutions of the same group.

Thus the Act of 1967 for the first time let banks into the field of consumer lending, where they have helped themselves to a large slice of the cake. Not that the cake has always been particularly tasty: consumer loans are slow to respond to changes of interest rates, so that in the recent phase of increasingly expensive funding the spreads have suffered.

A pending revision of the legislation governing federally

The banks themselves argue that the outcry is unjustified given that their return on assets of 0.59 per cent so far this year is not above the average recorded since the Bank Act of 1967 took effect. Such increase as there has been is due largely to an increase in their business volume and also a rebound from last year, when several banks were caught in a mismatch as interest rates went up.

A change much more radical than a windfall tax, in the form of an incomes policy, is also under discussion in Ottawa. The die has not yet been cast, and the Liberal Party, which is in control, does not seem inclined to adopt this particular policy.

But Mr. Trudeau has done it before, so that in due course there could be a surprise. What should be noted is that the general political climate in Ottawa is fairly interventionist.

So far, however, that has taken the form of putting pressure on foreign oil companies to relinquish control over their Canadian affiliates to Canadians by 1990, and of taking a more restrictive attitude to foreign direct investment.

Such investments, if they are large, must by law be calculated to bring "significant benefit" to Canada. That is an elastic phrase, however, and the Foreign Investment Review Agency (FIRA) has been tightening the criteria which it applies.

A recent spate of takeovers, largely engendered by the intention to "Canadianise" the oil industry, has brought a lot of business to Canadian and other banks which provided the necessary loans. But North American business dislikes this

kind of interference, and the bankers are not the least vocal in their opposition.

Though foreign banks may now operate in Canada, the Canadian banks have a vested interest in international business, not to fear the consequences of Ottawa's actions. That matter, foreign governments.

Despite the pro-competitive intent in the new and in proposed regulatory legislation, Canadian banking will continue to have many attributes of an oligopoly: the banking sector is almost entirely controlled by the five chartered banks which hold about 90 per cent of the aggregate assets of the chartered banking system.

Competition for the private depositor's money takes the form not so much of competing by price, meaning the interest rates offered, as by service. It is an expensive system and has encouraged some banks to open more branches than they really need.

There have been some changes and the struggle to cut costs has set in train at least the beginning of a campaign to automate not only internally but also by the installation of Automatic Teller Machines, capable of doing more than merely dispensing cash in envelopes.

It is a recognition by the banks that, while preserving their nationwide unit-branch system, the Big Five have reserves of efficiency which would increase what is in comparison with some other countries a low return on assets.

W. L. LUETKENS

## Increased influence of speculative elements

**TAKEOVERS.** ECONOMIC nationalism and, of course, interest rates are the main talking points on the Canadian stock exchange. The equity market suffered a typical shakeout in August and September after having reached nearly record levels earlier in the summer.

That high point of the year to date had strong speculative aspects. As prices began to retreat, some investors who had bought on margin, partly financ-

ing their purchases on credit, found themselves in difficulties. With a prime rate above 20 per cent, the cost of holding stock became exorbitant.

In addition, some of the smaller oil and gas companies, at one stage the darlings of the market, began to look less good and, in some cases, shaky. The cost of oil and gas exploration and the risks are high. Moreover, the possible rewards were hard to calculate because of a

prolonged wrangle between the Federal Government and the Canadian provinces, particularly Alberta, about the pricing of oil.

But there are also positive aspects. For a start, there is a glimmer of hope that interest rates could be on the turn. In mid-September, the Canadian chartered banks twice cut their prime rates by half a per cent, and a few days before that Alberta, by far the largest

oil producer in Canada, reached an agreement with Ottawa on pricing oil and gas.

The saga of interest rates still has a long time to run: opinions are divided as to whether September marked the definitive turn. Two contrary influences are at work. The Canadian economy—though in practice it has often proved more resilient than the south-sayers believed—is shaky. Growth was good in the first

two quarters—4 per cent and 5.3 per cent respectively in the first two quarters, adjusted for inflation.

A mid-year survey indicated a real growth of business capital spending of 10 per cent this year, though that figure may turn out to be too high. For next year, Mr. F. L. Rogers, economic adviser to the Bank of Nova Scotia, estimates that business capital spending will grow by only about 4 per cent.

Inevitably, there is also strong political pressure to bring down interest rates from their near-record levels at a time when unemployment is around the 7 per cent mark. But Canadian hands are very much tied by considerations of

that would have to be faced. Thus, though the agreement promised world prices for oil discovered since the beginning of this year, much of that oil will be expensive to recover. Moreover, the world price itself has become an uncertain quantity. If it falls to rise as quickly as once was thought—and this year has produced indications to that effect—what is left for Canadian oil companies after governments have had their cut may be less than once hoped for.

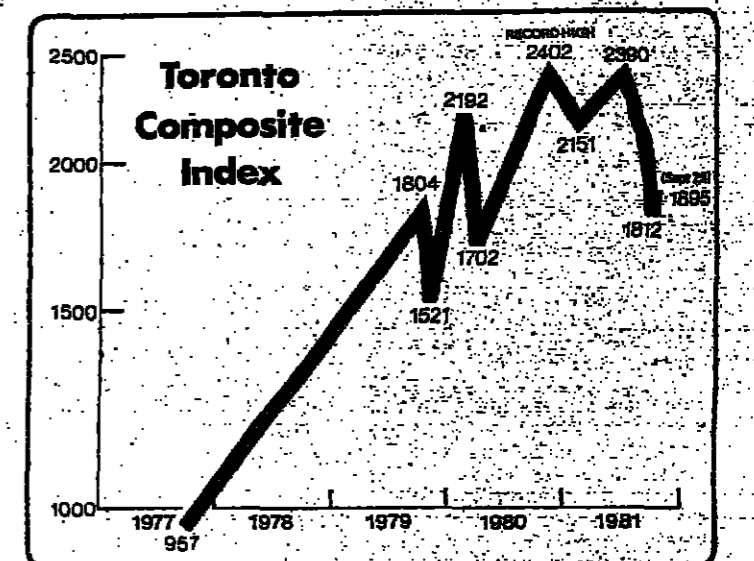
Takeover fever this year occurred mainly in the trust company sector (discussed elsewhere in this survey) and among the oil stocks. There are indications that this phase may have come to an end.

Following battles for control over Royal Trust, the largest trust company in Canada, which escaped from its pursuers, and over Canada Permanent, which finished up with Genstar, some pressure has built up to extend to trust companies the rule which prohibits any one shareholder holding more than 10 per cent of a Canadian chartered bank (other than the closely held Schedule B banks whose size is severely restricted).

Among the oil companies some of the biggest transactions have been completed. The best-known are Dome Petroleum's acquisition from Conoco (then still independent) of control over Hudson's Bay Oil and Gas; Petro-Canada's takeover of Petro-Canada; and Canada Development's acquisition of Aquitaine's Canadian affiliate.

All these transactions arise from the Canadian Government's wish to gain Canadian control over the Canadian oil industry by 1990, running down foreign control from its present 70 per cent or so. The objective, to be achieved by scaling down exploration grants and the like paid to foreign-controlled companies, remains unchanged.

But foreign reaction, espe-



cially in Washington, has been sour and at times virulent. Some members of the U.S. Congress and of the Reagan Administration have been threatening retaliation, and Ottawa may at least have to consider going slow. That could reduce the speed at which the turnover merry-go-round is spinning.

One rumour continues to surround what may be the bluest of Canadian blue chips, Canadian Pacific. Mr. Paul Desmarais, through Power Corporation, has a minority stake in Canadian Pacific and at one time had an option to increase it.

When the market price moved against him, Mr. Desmarais let the option expire; but one day at least there could be another chapter to that story.

For the banks, takeover activity has meant a good deal of extra large lending business. The Bank of Montreal, in recent study, assumed that this year takeovers of some C\$8bn would be carried through, though not all of it will be financed with bank loans, and moreover, a portion of the loans will be raised outside Canada. Even so, the phenomenon has

contributed to a steep increase in loans of C\$8m and over.

The main reason there, however, was the effect of high interest rates on corporate treasurers' planning. They have been reluctant to get stuck with high coupon bonds, not redeemable for several years. Should interest rates really be about to fall that will change, and there will also be capital gains to be made by investors who bought bonds during the high interest phase.

All in all, therefore, the market is more than usually determined by speculative considerations: interest rates, the impact of the oil pricing agreement, and the attitude of the Government to foreign investment other than portfolio investment not involving control over Canadian industry.

Technically, the equity market looks exposed: the summer at any rate it was over, and the indices were high. On the other hand, the long-term strength of the Canadian economy should not be underestimated. The country is a net exporter of energy, and though the target of oil sufficiency by 1990 may be missed Canada does have plenty of oil and gas.

## Stock Exchange

W. L. LUETKENS

external payments and the intimate relationship between the U.S. and Canadian business worlds.

Interest rates have to be kept above the American level to avert an outflow of capital needed more than ever to balance a structural deficit on the current account.

Canadian hopes therefore rest very much on the possibility that the U.S. inflation rate will come down steeply next year and American interest rates with it. If so, Canada could follow, though only at a distance, given its own higher inflation rate and the need to protect the exchange rate.

The agreement between Ottawa and Alberta on oil and gas pricing was greeted by an immediate jump in the prices of oil company stocks. But the joy was short-lived. Admittedly some uncertainties had been removed, but analysts soon came to the conclusion that there were still many uncertainties

## Rise in assets boosts profits

**PROFITS** OF the Canadian banks have rebounded during the current year of account after a poor performance during the 12 months to October 31, 1980.

Balance of revenue for the entire banking system (excluding so-called "near-banks" such as trust companies and credit unions) before loan provisions which are made in the last quarter, but after tax, was 49 per cent higher in the first three-quarters of the current year of account than in the comparable period of 1980.

Performance among the Big Five chartered banks, was not quite even, however. Those with a greater than average portfolio of consumer and mortgage loans did less well than the others.

The improvement from 1979-1980 when many banks were caught in a mismatch as interest rates rose, was achieved mainly by a steep increase in assets of about 30 per cent. The return on average assets was 0.59 per cent in January-July 1981: this is close to the average figure since 1967, when a thorough revision of regulatory legislation opened the then profitable field of consumer credit to the chartered banks.

Given the many uncertainties surrounding the future of in-

terest rates and the domestic political climate, not to mention the possibility of defaults, especially in world business, a forecast for the coming year is bound to be risky. But the purely business outlook is promising for bankers. Last year's mismatching should continue to be corrected, and volume is expected to grow.

At the same time competitive pressures are increasing. The avowed intention of the new Bank Act put into force a year ago was stated to be precisely that, though it tackled the task on a sectoral basis rather than within the traditional world of the chartered banks.

The Act, unlike that of 1967, does not add greatly to the areas of business open to chartered banks. Exceptions of a limited range are that they will explicitly be permitted to do factoring through subsidiaries; financial leasing, but will be kept out of the leasing of motor cars to protect established dealerships.

Existing restrictions on ownership remain in force: no single shareholder may hold more than 10 per cent of the equity of a normal bank. That restriction was introduced in

## The Big Five

W. L. LUETKENS

1967 partly with the admitted objective of squeezing out foreign-owned banks.

But the new Act creates a new group of Schedule B banks which may be closely held and are under severe restrictions as to their size. Schedule B was created mainly to permit foreign-owned banks to operate in Canada again.

A significant addition to bank powers is the right to issue convertible debentures—a matter that may prove to be of some importance, since in order to maintain capital ratios, the chartered banks have been hungry seekers after new equity capital.

Prudential rules remain as they were: there are no capital ratios legally laid down and no restrictions on how much any bank may lend to one particular customer. That is left to management and to the powers of moral suasion of the Inspector General of Banks, the Federal Government's regulatory authority.

Both points are of immediate topical interest. Last year, one of the Big Five, the Canadian Imperial Bank of Commerce, had to make a provision of the region of C\$100m (about £47m), compared with total assets of C\$52bn—because of its exposure to the difficulties of Messers. Ferguson, the agricultural machinery manufacturer. That particular problem has ceased to be urgent but there are others.

Two chartered banks are fairly deeply involved in Iran, another two in Poland. Several also have less worrisome investments in Central America. It is an inescapable concomitant of the heavy involvement of the Canadian banks in international business, which—especially in the case of assets to capital of roughly 30:1, which is not especially high by international standards—But the rapid expansion of their assets in recent years has

CONTINUED ON NEXT PAGE

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## CANADA BANKING III

## Competition in a limited sphere

A GROUP of 12 foreign-owned banks have received licences to do business in Canada and further groups are expected to follow, bringing the total, with banks already in the country, to about 60 by next summer.

It is a small revolution in the banking world of Canada, but it is a revolution. All but three of the first group were already established in Canada, making use of a loophole in the Bank Act of 1980.

That Act forbade foreigners to own more than 25 per cent of any Canadian bank but did not exclude financial institutions provided they did not claim to be banks in the strict sense of the word.

As a result, a thriving group of foreign-owned financial institutions sprang up in Toronto and elsewhere to ply the whole-sale banking trade. They were not allowed to solicit for deposits from the public, but that was the last thing most of them wished to do. Except in special circumstances there is little to be gained from challenging the Canadian chartered banks on their home ground. With one branch per 3,200 inhabitants, the country may already be overbanked.

But in their own chosen field of activity, the foreign-owned banks have done very well. Their aggregate assets rose from C\$1.3bn (about \$800m) at the present exchange rate in 1974 to C\$10.4bn in mid-1981. The growth of their balance sheets was accelerated by the foreign bankers jockeying for position once it had become clear that they would be able to convert their institutions into banks proper.

The growth of these ventures goes some way to explaining why, at a time of rising Canadian economic nationalism, the ban imposed in 1967 should now be reversed. One purpose of the Act is to bring them under control. But that it not the whole story. When the proposal to license foreign banks was first mooted in a White Paper of 1976, the declared intention was to provide additional competition in the Canadian banking system.

The Government (headed by Mr. Pierre Trudeau, then as now) hoped in particular that the advent of the foreigners to full banking status would encourage innovation.

A year ago the White Paper proposals, after much argument, were passed into law. The new Bank Act created the status of Schedule B bank—a bank which may be closely held by Canadians or foreigners. All the foreign banks now licensed or awaiting licences fall into that category.

The new regime clearly reflects both the nationalist bent of the Federal Government and the pro-competitive inspiration of the White Paper. To wit: if, mainly, the foreign banks will be allowed to compete provided they stay in their place, and that place is a share of 8 per cent of Canadian banking, defined as "Canadian dollar and foreign assets booked in Canada with Canadian residents." The foreigners' international business proper escapes this restriction.



Mr. Mostyn Lloyd, president of Barclays Bank Canada: "An act we can live with."

Authoritative figures do not exist, but it can be estimated that a C\$16m slice of the pie, as defined, would have been available for foreign banks in mid-1981, rising to maybe C\$18m by the end of next year. The figure is only roughly comparable with the foreign banks' assets of C\$10.4bn in mid-1981, because no figure has been published sorting out Canadian from their foreign business.

The method chosen to ensure that the ceiling is not broken was arbitrary, though the Government's regulator, the Inspector-General of Banks,

## Foreign Banks

W. L. LUTKENS

insists that it was made as fair as possible. When it is admitted to do business, a foreign bank is awarded what is called a "deemed capital." This is a good deal lower than the authorised capital, which also requires official approval, and half of which must be paid up. The bank's Canadian assets must not exceed 20 times the "deemed capital."

Naturally, not all the foreign banks are happy with the application of this deemed capital device. But Mr. Mostyn Lloyd, president of Barclays Bank Canada, says that it gives him room to expand. His bank's deemed capital is C\$45m, permitting a volume of Canadian business of C\$900m.

Barclays Canada had total assets of C\$892m at the end of April of which about C\$30m was in Canadian assets. That gives about 10 per cent leeway, which will increase as the entire Canadian banking system expands.

Mr. Lloyd is one of two directors elected to the Canadian Bankers' Association to represent the new foreign banks. His summing-up of the new regime is that it is an act that "we can live with."

A second constraint placed upon the Schedule B banks, whether Canadian or foreign,

limits their total assets to 20 times the paid-up authorised capital, which in some cases is a multiple of the deemed capital. The difference is available to back foreign business.

This system of gearing introduces into Canada the hitherto unknown device of mandatory maximum capital ratios—from which banks other than those on Schedule B are exempt.

In practice, the Canadian chartered banks have reached an average capital ratio (the relation of assets to capital) of some 30:1. The restriction under which Schedule B banks have been placed is justified on prudential grounds that their foreign parents are not under the surveillance of the Canadian Inspector.

Some of the new applicants for banker's status have had difficulties of varying gravity arising from the differences of bank structures throughout the world. Canadian banks (with minor exceptions) are not allowed to acquire industrial holdings, and their shareholdings (again with specified exceptions) in financial institutions must not exceed 10 per cent.

To a certain extent that ruling will now be applied outside the immediate Canadian jurisdiction. Midland Financial Services, Toronto, owned by the Midland of London and to become Midland Bank Canada any day now, had some difficulties there because the group owns the Thomas Cook Travel and travellers' cheque system, which is active in Canada. The travel agency has been grandfathered in.

The travellers' cheque system remains to be sorted out because the entire future of the Thomas Cook cheque service is under review. If the Midland decides eventually to turn it into a joint venture with a group of other banks, there are hopes that the Canadians would allow them a 20 per cent stake; otherwise the Canadian operation might have to be incorporated in Midland Bank Canada. Either way, the obstacles are surmountable.

Another British-owned near-bank which has had difficulties, now apparently resolved, is Grindlays Canada. The owner-

ship structure fell foul of the new rules. The owners are Grindlays Holdings (in which Lloyds has a 42 per cent holding) with a majority stake of 51 per cent; and Citibank, which has its own Canadian operation, with 49 per cent.

Mr. Anthony D. B. Wright, president of Grindlays Canada, understands from the Canadian authorities that they will grant an exemption and a formal application for bank status is expected to go in soon. Grindlays Canada has not published figures of its size, but has set itself a target of C\$400m in assets within three to four years.

The Grindlays case illustrates some of the difficulties that may arise in the future as banks in other parts of the world merge or are taken over. Where they have Canadian affiliates, exemptions or reorganisations will become increasingly necessary.

Continental-style universal banks with their often large industrial holdings will face additional problems. One of the first foreign-owned banks to be licensed was Deutsche Bank Canada, whose West German parent is a power in industry.

The solution chosen, according to Dr. Hans J. Schmick, president of Deutsche Bank Canada, is to prohibit him from doing business with the Canadian affiliates of concerns in which his parent bank has holdings of 10 per cent or more.

In common with other foreign banks that had no fully-fledged affiliates in Canada, as opposed to representative offices, Deutsche Bank Canada has been allotted a deemed capital of C\$5m, allowing a Canadian business volume of C\$100m. That figure will take some time to reach, but like the rest of the foreign banking fraternity the newcomers must hope that the shackles imposed by the deemed capital ruling will be loosened.

In Ottawa hopes are held out that the deemed capitals of the

foreigners may be raised fairly soon, though the overall limit of 8 per cent of Canadian banking to which they are held to will remain. There are, however, devices with which it could be nominally maintained and yet allow the foreign-owned sector faster growth than that of the Canadian system as a whole.

A conceivable way out might eventually be to exempt certain classes of lending. The Government might one day find it in its own interest to borrow from the foreign banks without counting it towards their ration of business.

A particularly knotty problem that has already been resolved is the demand of the new Act that the home country of foreign banks establishing in Canada must grant a form of reciprocity in Canada. The form of words used is that the foreign country must grant "conditions as favourable" to Canadian banks operating on its own territory.

Given the strong presence of the Canadians themselves in many leading financial centres that may seem to be a bit of a red herring. But to take only one example, it took the Canadians some time to persuade themselves that they would get *de facto* reciprocity in Japan, whatever Japanese law might say. Given the possibility of administrative discrimination, the problem of reciprocity will remain. The Canadians have kept an arrow in their quiver by demanding that foreign-owned banks must regularly renew their licences.

It is an implicit threat that does not, at the moment, especially worry the foreign bankers and would-be bankers. But it does show how cautiously Ottawa has relaxed its nationalist attitude to the whole question of giving them full status in Canada. It is a motif which runs through the entire piece of legislation.

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## Rise in assets

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caused them to call on their shareholders for new equity at frequent intervals.

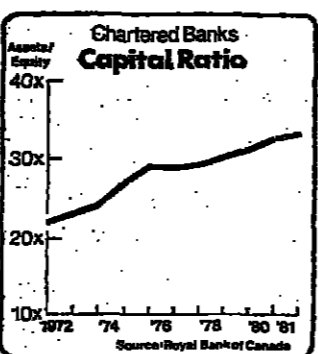
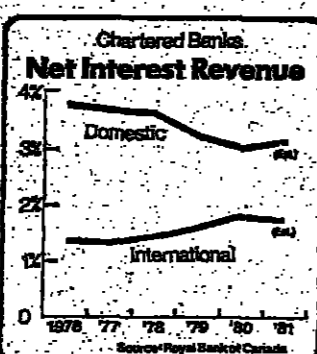
Mr. A. B. Palmer, of Bunting's, stockbrokers in Toronto, Montreal and Vancouver, has published the following calculation. In 1974/75 dividends paid (before tax) exceeded new equity subscribed by 2.14 times; in 1976/77 that ratio was down to 1.29; and last year it was 1.13.

Together with the relative constancy of the banks' return on assets, these figures have been used by the political argument about high banking profits during the current phase of high interest rates. With the British example for all to see, bankers in Canada have been alarmed by the possibility of a windfall tax.

Under prodding from MPs of the social democratic New Democratic Party (NDP), the Minister of Finance, Mr. Allan Rock, spoke last April of the possible need for "remedial action" if record profits continued to be earned while housewives and especially small businesses groaned under the burden of their interest payments.

Mr. MacEachan's taxation plans will not be known before he tables his budget, probably next month. Besides, the entire economic strategy of the Trudeau Government is still being worked out. But at present neither the Ministry of Finance nor the Liberal caucus (parliamentary party) seem to be moving strongly towards a windfall tax.

Pressures are considerably greater for concessional interest rates to new mortgage borrowers and for similar help to farmers and small businesses. But Mr. Trudeau has said that help would be considered only in the most pressing cases. Even so, the question remains in the political arena, with the



two opposition parties, the Progressive Conservatives and the smaller NDP, pleading the cause of the interest groups whom they represent.

The opposition attack is in a tradition of bank-bashing which is not peculiar to Canada. Though they are represented on almost every street corner, the Big Five are widely regarded as the bankers of big business. That belief persists, though C\$38bn of their C\$148bn deposits in Canadian currency derives from savings accounts. Certainly the chartered bank network does have many aspects of an oligopoly. Prime rates move together and deposit rates cannot get far out of step, either as between banks or as between banks and other deposit-taking institutions such as the trust companies and mutual credit unions. But the evidence of severe competition for the depositors' money can be seen almost everywhere.

High interest rates have encouraged cash management not only among corporation treasurers, but also among private citizens. The result is a multiplication of different types of account ranging from the straightforward current account and savings account to a savings account upon which cheques may be drawn. That idea, developed by trust companies, have been heavily advertised by chartered banks recently.

The chequing savings account comes in many forms, depending upon the marketing policy of each bank. Usually a minimum balance is required to be held before the bank will credit interest monthly calculated on a daily interest basis.

Like other multi-branch systems, the Canadian one incurs high costs leading to complaints that the country is overbanked. Altogether there are something over 7,000 bank branches averaging (at December 31, 1980) 4,700 deposit accounts and C\$16.5m in deposits per branch.

Some banks, led by the Canadian Imperial Bank of Commerce, have begun reducing their network, as also happened last year when the Provincial Bank and the Canadian National, two of the smaller chartered banks based largely in Quebec, joined in a merger.

As a measure to contain costs the big banks have therefore had to move to automation by the installation of automatic tellers (cashiers), a good deal more advanced and capable than the cash dispensing machines familiar in British and other European streets.

These automatic tellers will not only take deposits and disburse cash but also perform less simple operations such as allowing a customer instantly to transfer money from his savings account to his chequing (current) account as part of his personal cash management. Not many of these machines have so far been installed. Toronto Dominion Bank, the leader, so far has 102, one of them in a supermarket. But a rapid expansion of the system is forecast for as early as next year.

One bank is even said to be nearly ready to start a pilot scheme of unmanned branches served by automatic teller machines alone.

## CANADA BANKING IV

## Split over question of ownership

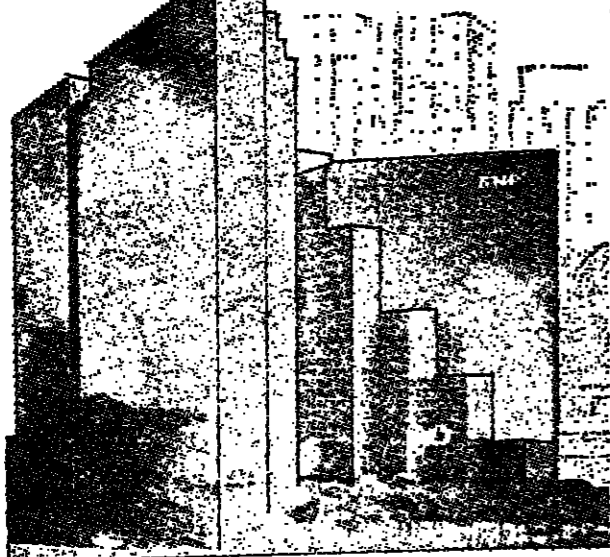
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CANADIAN TRUST companies, with total assets of about C\$35bn at the end of 1980 and managing trusts of about C\$68bn, have emerged from the most tumultuous year in their history.

The largest and third-largest companies in the industry, Royal Trust and Canada Permanent Mortgage, have been through protracted take-over battles. Interest rates have soared to new peaks of more than 20 per cent, and new federal legislation governing federally-incorporated trust companies has been delayed seriously.

The major reason for this delay is the ownership issue raised so dramatically during the take-over battles. Essentially, it is whether single entrepreneurs, or non-financial companies with large real-estate development interests and controlled by families, should be allowed to take over trust companies, which by their nature have major fiduciary responsibilities.

Generally, the industry is split on the issue, with Mr Kenneth White, chairman of Royal Trustco, arguing strongly that there should be a 10 per cent limit on any single shareholding in a trust company. This would be in line with the Federal Bank Act's limitation on chartered bank ownership.

The trust companies, one of Canada's many kinds of "near banks," can be either federally or provincially chartered. In general, provincial laws covering provincially-incorporated concerns follow the Federal lead.

At present, there is no Federal or provincial limit on individual trust company shareholdings, though governments may indirectly exercise pressure on sensitive take-over attempts.

While the Bank Act must be revised every 10 years, there is no such requirement for Federal trust company legislation, though the last revision came in 1970. Some provincial legislation has not been updated for 15 years or more.

The trust companies and their place in the financial system were thrust into the limelight about a year ago when an Ottawa real estate and construction millionaire, Mr Robert Campeau, through his Campeau Corporation, bid for 51 per cent of Royal Trustco. The Royal Trustco board, led by Mr White, sought the help of many major Canadian cor-

porations to make sure that Mr Campeau could not achieve his target of control.

Mr White succeeded in fighting off Mr Campeau, but when the dust of battle had settled several months later, Olympia and York Developments, a large real estate development and resource group controlled by the Reichmann family of Toronto, owned 23 per cent of Royal Trustco, and Brascan, controlled by the interests of Mr Peter and Mr Edward Bronfman, of Toronto, owned 15 per cent.

Management of the trust company has not changed direction, though changes in the boardroom have reflected the new share ownership pattern.

The Bronfmans, cousins of Mr Charles and Mr Edward Bronfman who control Seagram, are joint owners of Trizec, Canada's second largest quoted real estate development firm, together with the Reichmanns.

The size of such major trust companies in Canada can be seen from the first-half results of Royal Trustco, for example. At June 30, 1981, company assets were C\$9.2bn and assets under administration C\$31.3bn. Net profit in the first half was C\$21.9m or C\$1.05 a share, up from C\$12.7m or 64 cents a year earlier, and income was C\$55.5m against C\$43.1m.

Royal Trustco has major banking and fiduciary interests in the south-east United States and also operates in Britain. Its real estate commissions in the second quarter were up 46 per cent from a year earlier. It is the largest real-estate broker in Canada and also manages office and apartment buildings.

Canada Trustco, second largest trust company in Canada, earned C\$14.7m or C\$1.47 a share in the first half, up from C\$9.6m or 83 cents a year earlier, and income of C\$51.4m against C\$37.3m. It is subject to takeover rumours from time to time. But Montreal Trust reported lower earnings, citing the unfavourable impact of peak interest rates, partly offset by higher fee and commission income.

Soon after the Royal Trustee affair, First City Financial Corporation, controlled by the Belzberg brothers, of Vancouver and with ambitions to become national in rapid time, sought control of Canada Permanent, the third largest trust company. Canada Permanent's management fought back immedi-

ately, using some of the arguments of Royal Trustco. Counterbidders were sought, and eventually Genstar, a major western-based real estate construction and industrial group won control.

Genstar also has interests in financial services. Its major stockholders since its creation in 1970 are the Société Générale de Belgique group.

## Trust Companies

ROBERT GIBBENS

There have been mergers and takeovers among the smaller companies, and potentially another takeover battle may concern a Maritimes-based trust company. In the past year, one Ontario trust company went bankrupt—the first failure in many years.

There has been no clear indication from Mr Richard Humphreys, Federal superintendent of insurance, when the proposed new federal legislation is likely to appear. Mr

Humphreys, who is in charge of the legislation, will only say that it is being considered and that the ownership issue has been one reason for the delay.

The industry has been lobbying for the past few years and more seriously in the past 12 months, for more flexibility and greater powers to compete effectively with the banks. It had expected draft legislation this spring and now believes it may see it "by year-end," according to the Trust Companies Association, Toronto.

Implementation might be achieved late next year or in 1983, depending on the weight of the Government's legislative programme in general.

The industry argues that it needs more flexibility and the ability to widen the range of services it offers because mortgages, the main source of growth since the 1930-45 war, will be declining as the population ages and grows more slowly.

In the past decade the banks have taken over a major role in the mortgage market. In Quebec especially, the Caisse Populaire Desjardins co-operative movement has competed strongly with conventional banks and traditional trust companies.

In 1970, trust companies were allowed to increase deposits from the public to 20 times their own equity from 15. Now the industry wants the ratio raised to 25 or even 30. It also wants greater choice of how to place assets and to increase the proportion of consumer and corporate lending under the "basket" classification system. It aims particularly at loans to medium-sized companies.

Many trust companies want the requirement that cash and near-cash be kept at 20 per cent of demand deposits and term deposits maturing in 100 days reduced to 15 per cent.

Trust companies have about 12 per cent of total deposits in Canadian financial institutions, up from 4.5 per cent in 1970, and they want to keep up the momentum through offering a larger range of services.

The banks oppose further incursions by trust companies into corporate lending, citing potential conflict of interest if trust companies may act as trustees and lenders to the same company.

These issues will be aired in public when the proposed Federal legislation reaches the Commons committee stage in

Mr Kenneth White, chairman of Royal Trustco

Ottawa. The life insurance industry will be a keen observer, since it feels that trust companies are encroaching on its own preserves, particularly in the area of tax-sheltered retirement savings funds.

The pension funds may also have something to say about the "basket" of the trust companies in managing pension assets.

But the ownership issue is likely to remain dominant. If the 10 per cent limit were to become law, several ways of achieving it have been suggested. Existing group ownership patterns could be grandfathered, stage-by-stage reductions in ownership levels could be imposed, or the Federal Government could be asked to buy shares in companies that would work in practice has not been made clear.

## Development of resources to create a boom in time of political doubt

WHILE economics would seem to indicate that Canada is on the verge of a capital spending boom that would sustain the country's economic growth in this decade, political uncertainties cloud the outlook.

The country's strategic location in the Northern Hemisphere, an enormous resource base, skilled workers, a developed infrastructure and high-quality technology would all seem to point to a decade of growth.

Politically, however, controversy over the sharing of power between the Federal and provincial governments runs deep. A problematic commitment to the growth and expansion of resource industries and a continuous inability to solve short-term economic problems make it debatable whether the Canadians will be able to make the most of their economic opportunities.

While the economy is expected to perform rather sluggishly in the next few years (growth is expected to be about 2 to 3 per cent), what strength there is in the economy will be provided by an investment boom led by energy development, where a number of large scale projects will go ahead.

The Federal Finance Department, which is now revising its forecasts in a run-up to the budget, has been forecasting that energy investment will grow in real terms, by about 5 per cent a year through the first half of the 1980s and non-energy business investment by about 4 per cent.

Projections by the Economic Council of Canada are that real investment will climb from about 22.6 per cent of gross national expenditure last year to 23 per cent this year and then hover around the 25 per cent of GNE level from 1984 to 1990.

The council's last annual review also projected the shape of capital formation accounted for by primary energy projects, including oil sands, pipelines and electrical utilities, will climb from 25 per cent last year to 33 per cent by the end of the decade.

Forecasts of the financial requirements to carry through this advance, based as they are on assumptions about the number and pace of major capital projects and the future rate of inflation, are riskier than estimates of growth rates and the proportion of GNE devoted to investment.

But the Federal Industry Minister Mr Herbert Gray, said recently that his department had identified C\$340bn worth of projects worth over C\$100m each that might go forward in the next decade.

Continued high levels of foreign capital inflows will be required to finance such levels of investment. For example, the Royal Bank has forecast that primary energy development will require about C\$360bn in capital up to 1990. Of this, about 25 per cent would be foreign capital market financing, or just under half of the externally-financed needs for energy development.

But the bulk of the foreign financing is expected to be debt, with about 80 per cent of foreign financing raised by electrical utilities, according to the Royal Bank forecast.

Mr Daniel Waddington, the Royal Bank's senior energy adviser, has said that although the Bank's forecast could be revised in detail because of the recent energy pricing and taxation agreement between Ottawa and Alberta, the overall estimates are in line with current expectations. I recently added up known oil and gas projects and got C\$167bn," he said.

But it is still not possible to draw up a financial timetable

with any precision. For two years work on major energy projects has been held up while Ottawa and Alberta settled their differences over energy pricing and taxation. With the ink barely dry on the agreement, companies have not yet decided what their reaction will be.

The two most important projects on which immediate decisions are expected are the oil and plant planned for Fort McMurray, Alberta, by the Alcan consortium headed by Shell Canada, and the heavy oil plant at Cold Lake, Alberta, planned by Imperial Oil, the Canadian subsidiary of Exxon. Both bear price tags in the C\$10bn to C\$15bn range and, between them, would produce about 15 per cent of Canadian oil needs when finished.

This summer Imperial stopped work on the project and is expected to have more difficulty realising its plans than the Alcan consortium, which has kept the project going, although at a slower pace than the company would have liked.

Oil production projects, including the massive sums that may have to be spent developing offshore oilfields such as Hibernia, are not the only energy developments under way in Canada. Massive coal deposits in north-eastern British Columbia are being developed under a C\$3bn scheme whereby Japan will receive its first shipments next autumn under 20-year contracts to provide just over 8m tons of coal a year.

The fate of many of the projects will be determined not by their economic viability but by politics. Many of the political problems relate to Canada's constitution, which gives pro-

vinces exclusive control of the resources lying within their boundaries but gives the Federal Government extensive powers to affect resource development through taxation and export controls.

Not all the uncertainty was removed by the energy agreement. For example, development of the Hibernia oilfield off the coast of Newfoundland cannot go ahead until the jurisdiction dispute between the Federal Government and Newfoundland, over control of sea-

## Energy

JIM RUSK

bed resources lying in Canada's economic management zone between three and 200 miles offshore, is settled. Newfoundland recently offered to negotiate a joint management agreement with the Federal Government.

Moreover, continued Federal-provincial wrangling over constitutional reform, the complicated taxation and cost-sharing agreements between Ottawa and the provinces, and a variety of lesser problems tend to colour the relationships even when they try to collaborate on a project. The coal project in British Columbia, for example, got off to a slow start while Ottawa and Victoria jockeyed about which government was going to subsidise the building of a railway to the fields.

In any event, the commitment to resource development is weaker than it was in the 1950s, when any project was welcomed if it provided jobs and exports.

Such rates are eight points above Canadian inflation levels and are in the 15 to 16 per cent range, which would reflect the normal premium over inflation and make project financing easier. But for rates to come down without pushing the dollar firmly below 80 U.S. cents, Ottawa would have to make significant progress in reducing the deficit.

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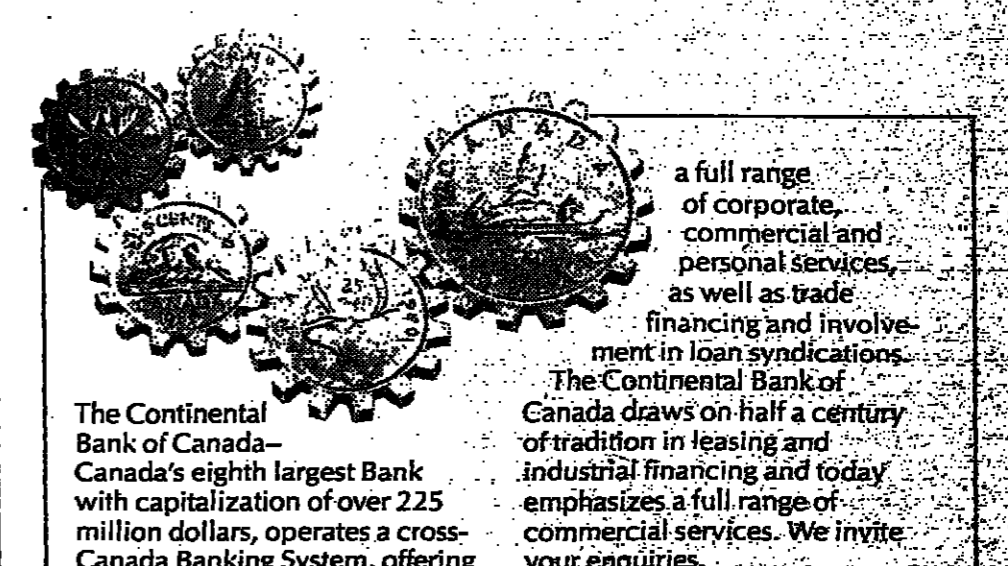
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## CANADA BANKING V

## Thrift movement flexes its commercial muscles

QUEBEC'S UNIQUE co-operative financial institution, the Confederation des caisses populaires et d'économie Desjardins, with well over \$14bn (about \$8.5bn) in assets, is leading the credit-card path, flexing its muscles in the field of commercial and consumer loans, and beginning to participate in domestic and international financial markets.

It has much in common with the plethora of non-bank financial institutions throughout Canada, especially the many local credit unions. However, its sheer size, the wide spread of its business and its closely knit organisation give it a unique importance.

That importance is enhanced by the high standing of the Desjardins movement in Quebec, odd man out among the 10 Canadian provinces. The roots of the movement are to be found among the French-speaking majority in Quebec, and the organisation has been wooed both by nationalists, who want Quebec to have a special status within Canadian confederation, and by genuine separatists.

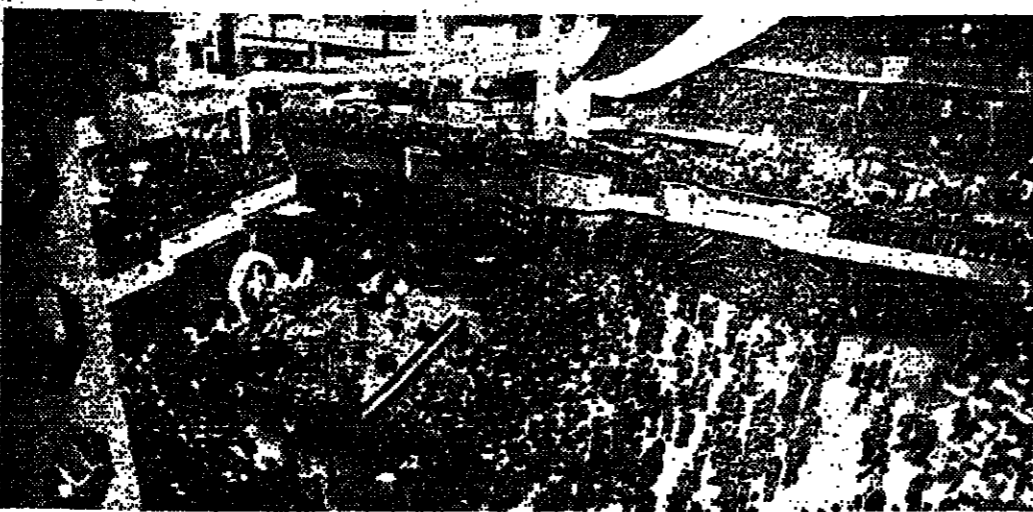
The movement, founded at the turn of the century at Lévis, near Quebec City, with a deposit for 10 cents, has no equal anywhere in North America. A House of Commons stenographer, Mr. Alphonse Desjardins, inspired by the self-help ideals of the European co-operatives, was determined to encourage the artisans and farmers in the rural areas of Quebec to save funds that would be lent to the same people when in need to give them the tools to improve their living standards.

It all started in a church basement. While the banks, dominated then by the major city commercial families, concentrated on loans to businesses, the Desjardins movement built itself on the parish system and quickly won the support of the Roman Catholic clergy.

Now there are over 1,500 individual Caisses populaires spread through the province in every small town and village and in Montreal, the business capital.

The movement has more than 4m members, controls trust and insurance companies, several medium-sized industrial companies, operates an industrial financing unit and owns a 10 per cent interest in the largest bank, the law firm, in a merger of the two, first cooperative chartered bank, now the sixth largest bank in Canada. Because of its large membership through the province and its economic power, the Desjardins movement has been closely courted by politicians both in Quebec and in Ottawa.

Though individual Caisses operate very much like a commercial bank branch today, providing almost all bank services, the movement has been able to sidestep demands that it should keep reserves interest-free with



Pop concert in the Complexe Desjardins at Montreal. The financing of the centre in what used to be an English-dominated city was a sign of the emancipation of French business: the regular concerts in the precinct reflect the resurgence of a Quebecois French culture

the Bank of Canada. That exemption was preserved when the new Bank Act passed in 1980, not least because of pressure exerted by the Quebec Government on behalf of the Caisses.

Mr. Alfred Rouleau, long-time president of the Confederation, the elected ruling body of the Desjardins movement, came

### Desjardins

ROBERT GIBBENS

under strong pressure from the Parti Quebecois government and from some elements within the movement to support publicly the sovereignty association option in the 1980 Quebec referendum. Mr. Rouleau, a traditional Quebec nationalist, but not a separatist, refused to oblige.

This spring he retired and was succeeded by Mr. Raymond Blais, aged 46, and a grocer's son, who was a brilliant organiser and consensus builder and an unsuccessful Liberal candidate in the 1986 Quebec election.

He is the man responsible for a major Desjardins first: the inter-Caisse computer-based accounting system developed with IBM Canada. The Caisses had the system in operation before the chartered banks.

The Desjardins movement's size and spread makes it the most influential financial institution in the province. In assets it is larger than the Caisse de Depot, the official agency which invests Quebec pension plan contributions and other provincial public sector funds. Its assets equal nearly half the chartered banks' assets in the province and the banks acknowledge in Quebec the Desjardins movement is their chief retail competitor. They are watching carefully its move into further commercial lending and its influence with the Quebec

Government in the drive to gain new powers.

Traditional-type trust companies seeking to provide nearly all services offered by the chartered banks and also under some competitive pressure from the Desjardins movement and its so-called Caisses pop.

Banks call the Caisses pop and trust companies "near-banks" in their fight to remain ahead, but in practice all the near-banks are becoming more like chartered banks except in the international business area.

As a broad rule of thumb the Caisses pop hold about one-third of the savings of francophone Quebecers. Largely because of its rural origins the Desjardins movement has never made real inroads into the anglophone areas of Montreal, but the symbol of its presence in Canada's second largest city is the Complexe Desjardins, a massive four-tower office development with covered shopping precinct and a total rentable area of more than 2m sq ft.

Individual members buy shares in their local Caisse for \$5 and become members entitled to use all its services. The share carries one vote, and the members elect the Board of the Caisse. Legally each Caisse is autonomous but there are 10 regional federations plus the Montreal area Caisses, which severed diplomatic relations officially with Lewis in 1945.

They may soon return to the fold. Above the "Regionales" is the confederation whose leadership is chosen by the managers of the whole group. The movement operates under provincial legislation, unlike banks which are under the control of the federal Government in Ottawa.

The Desjardins movement was criticised in Quebec for not sufficiently helping Quebec industry and commerce to develop and grow. It participated in setting up a Government-controlled holding company, Societe Generale de Financement du Quebec, in the 1980s

but later withdrew because it was not earning sufficient return. It then set up its own industrial investment arm which now owns several medium-sized companies.

The postwar housing boom in Quebec was almost half-financed by the Caisses pop, and through a life insurance subsidiary, started in 1944.

Other life insurance and general insurance ventures followed and a trust company which now administers nearly \$34bn in fiduciary funds.

In 1971 the confederation became the major shareholder in the Provincial Bank of Canada to get access to its cheque clearing services. With the merger of that bank with Bank Canadian National, the other francophone bank in Montreal in 1979, the movement obtained just over 10 per cent of the new National Bank. The movement itself has joined the new Canadian Payments Association clearing system and its Caisse centrale will take on the role of clearing cheques for the Caisses pop. The Centrale will also participate fully in domestic financial markets and in the underwriting area for government and industrial bonds. It is feeling its way in international markets.

The Desjardins movement has been forced by stiffer competition for the personal customers to drop its ideological claims about issuing credit cards, which do not fit into traditional concepts of thrift, and to compete further in the consumer loan field. Its commercial term lending has to be extended to increase returns as mortgage business levels off with the end of the housing boom. Local managers' skills have to be improved for a more competitive era.

Those are some of the challenges facing Mr. Blais. His long experience in training and organisation, personal acquaintance with a large number of Caisse managers and his consensus approach will be needed.

Those are some of the challenges facing Mr. Blais. His long experience in training and organisation, personal acquaintance with a large number of Caisse managers and his consensus approach will be needed.



Mr. J. K. Finlayson, President of Royal Bank of Canada: "The challenge for Canadians is to reduce foreign ownership without being discriminatory against existing investment, and without losing our attractiveness for the foreign capital that our future economic development will require. It is much easier said than done."

foreign takeovers and ventures in Canada, negotiates operational agreements with the foreign party involved, and recommends to cabinet whether a deal shall be allowed to go ahead. Under Mr. Gray, Fira has become tough. In the past 10-12 per cent of the applications made to Fira used to be withdrawn, usually because it had become clear that they would fail. That ratio rose to 25 per cent in the financial year to March 31 last.

Fira is also negotiating increasingly stringent agreements. Its criteria seem to be Canadian equity participation, the use of Canadian computer facilities, export prospects, and a commitment to research and development in Canada.

Fira and the energy programme have drawn fire from abroad, above all from Washington, where the critics in Congress and the Administration argue that Canada is violating the OECD code on the treatment of foreign companies. That code, however, was accepted by Canada with an important reservation: it would not conform where that was judged to be against the national interest.

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The Government has yet another policy vehicle, the Foreign Investment Review Agency. It screens proposed

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Ian Crowe, Terry Glossop, Ian Smith, Simon Grelton

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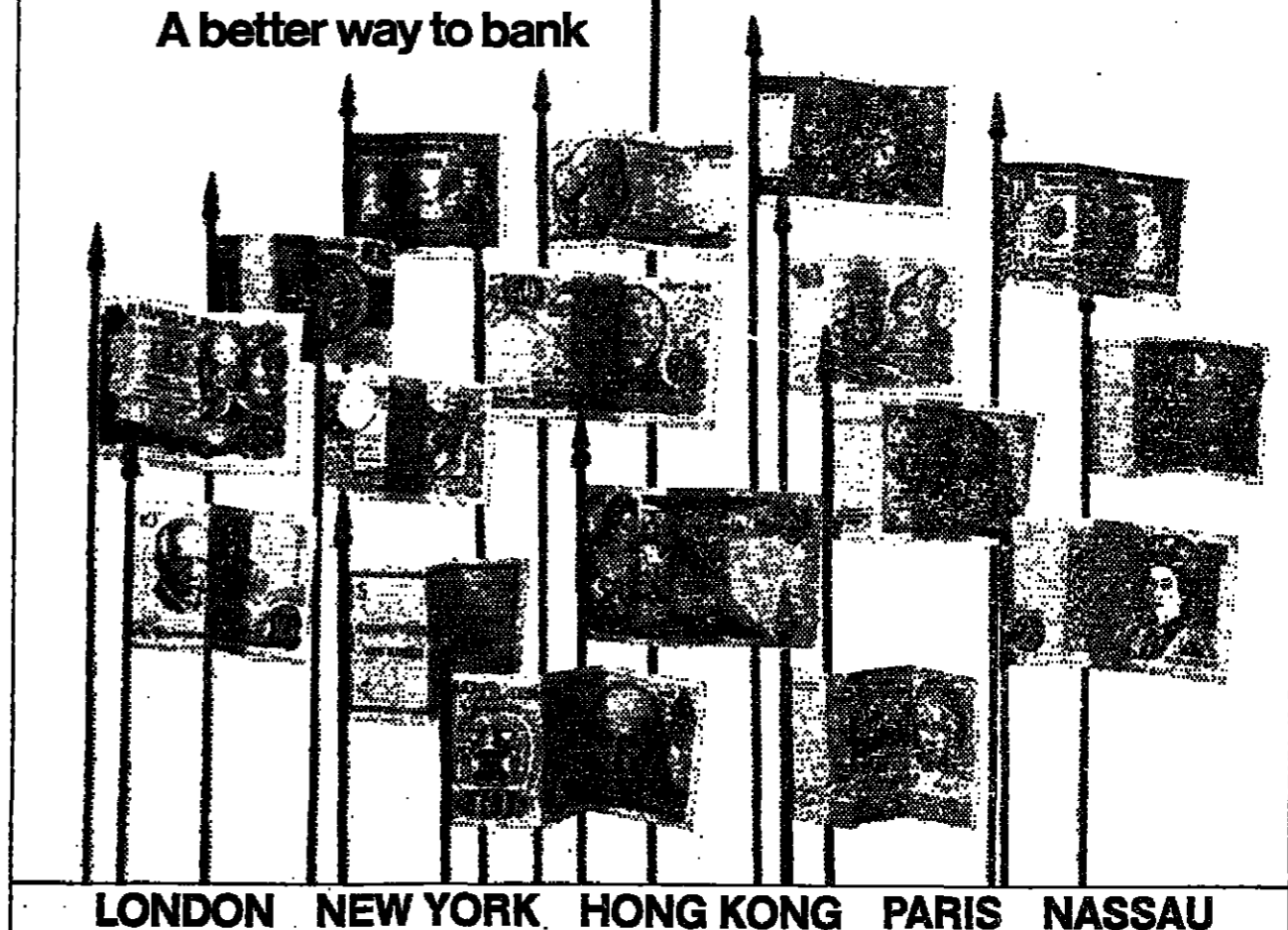


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## A frosty welcome for foreign investment

CANADIAN economic nationalists have gained the upper hand in a debate that has been conducted in Ottawa for the past one and a half decades, profoundly changing the climate for foreign capital.

Foreign equity investment is being made less welcome than straight borrowing. Debt contracted abroad by Canadians to buy out foreign interests in Canadian companies, especially in the energy sector, has been cited in some studies as a partial cause for the weakness of the Canadian dollar during the summer.

In his first 11 years as Prime Minister, Mr. Pierre Trudeau expressed little interest in economic nationalism. That changed when he returned to power last year after a brief spell in opposition. The strongest nationalist on the Liberal benches, Mr. Herb Gray, dropped from an earlier Trudeau cabinet, was brought back as Minister of Industry, Trade and Commerce.

The collapse of policy is at the root of the change. After confederation in 1967 Canada adopted the so-called National Policy, accepted by a succession of national governments for more than a century, of building a high tariff wall around the Canadian market for manufactured goods. Behind it, foreign entrepreneurs built branch plants to serve the Canadian market.

Canadian negotiators have been quite skilled in concentrating the peaks of their external tariff in key industrial sectors, but these peaks have been gradually torn down in a succession of post-war GATT negotiations. By the time the Tokyo Round tariff levels are implemented in the mid-1980s, tariffs will no longer play an effective role in Canadian industrial strategy.

The lowering of the wall has exposed much industrial plant ill-suited to the rigours of international competition. While some Canadian industries, usually capital-intensive, resource-based manufacturing, such as pulp and paper or

steel, are internationally competitive, much of the country's industrial capacity is concentrated in short-run branch plants of foreign, mainly U.S., multinational concerns.

The danger is that these companies, especially those in the neighbouring U.S., will gradually

### Economic Nationalism

JIM RUSK

ally pull out, supplying Canada from home instead. One solution that has powerful advocates, would be a gradual accession to a free trade agreement with the U.S., coupled with a rationalisation of Canadian industry operating on a North American continental scale. But, to the Government at least, the political risks outweigh the possible economic gains of such a procedure.

Nationalist policies fit well with two other government goals. One is to assert more control from Ottawa over the huge resource industries, especially oil (which is dealt with in another article of this survey). The other is to give the Federal Government increased influence over the economy at large.

Canada is a highly decentralised state. Though Ottawa has primary responsibility for managing the economy, the municipalities, and above all the provinces, especially those with gas and oil, have more fiscal power than the centre. Ottawa's ability to manage the economy has gradually been stripped away to the point where it is left with little more than monetary leverage.

If the Federal Government wishes to exert more direct control without getting into a constitutional battle with the 10 provinces over the division of powers, it will have to intrude more directly into the private

sector by one means or another. The Trudeau Liberals want to avoid an ideological battle about the free market: it is a politically winning proposition, and equally effective, to intrude in the name of economic nationalism.

Current policies and vehicles for economic nationalism clearly indicate what techniques will be used. The major attack has been made with a National Energy Programme, with its target for reducing foreign ownership in the oil industry below 50 per cent by the end of the decade. Depletion allowances and tax write-offs for exploration and development are to be replaced with a system of grants favouring Canadian-controlled companies.

That switches emphasis from doing what the Government allows to doing what the Government wants. The same technique may be applied to manufacturing companies once the Government later this year, announces a new industrial policy.

In the energy field, the drive for Canadian control is supplemented by two state-controlled companies, PetroCan and the Canada Development Corporation. The former has taken over the Canadian operations of Petrofina; CDC has acquired the Canadian interests of Aquitaine.

The Government has also announced a programme to encourage higher levels of Canadian participation in large projects with a price tag of \$310m (about \$47m) or more. Under the programme, which is mandatory for companies participating in oil exploration and development on federally controlled land, and voluntary, but expected, on other projects, companies will be required fully to open tendering on all aspects of project development, from engineering to machinery purchases, to Canadian companies. If contracts are let offshore, the Government will expect an explanation.

The Government has yet another policy vehicle, the Foreign Investment Review Agency. It screens proposed

## World Bank considers floating rate funding

**By Peter Montagnon in Washington**

**THE WORLD BANK** is active considering a radical change in its borrowing policy while it would allow borrowing at floating rates of interest for the first time in its history, according to its treasurer, Mr. Eugene Rotherg.

Until now the bank has borrowed and lent at fixed rates only. A change in its borrowing policy to incorporate floating rate funding would also have to involve a provision for some lending at floating rates.

BY OUR HONG KONG CORRESPONDENT

The company said that a merger with Franki under which Hutchison Whampoa would hold about 25 per cent of the enlarged capital had been agreed in principle and would shortly be put to shareholders.

The loss was caused largely by a provision of HK\$17m against possible debts inherited several years ago from a subsidiary, Far East Engineering. Under the merger with Franki, equipment, contracts in progress, and certain Franki subsidiaries would be transferred to a new concern. In return, Franki would receive new shares giving it a substantial majority of the enlarged capital.

## CURRENCIES, MONEY and GOLD

### Rates up in nervous trading

There was a certain unanimity about interest rates by the end of last week, in direct contrast with a few days earlier, when it appeared that market pressures were becoming irresistible as far as bank base rates were concerned, but no one was prepared to say just by how much rates would rise.

On Monday interbank rates increased by nearly a full point, but seven-day money was only around 15 per cent, the same level as a prime borrower's overdraft rate. By Wednesday, the seven-day rate was 16 per cent, adding to the attractions of round tripping, by which corporate customers take up their

Before then it was necessary to lend funds in the market for at least 24 hours, while the rate could move up at any time, leaving the operator with a subsequent loss.

On Thursday morning Barclays became the first clearing bank to raise its base rate to 16 per cent, but the others soon followed, while the discount houses increased their buying rates for all periods of Treasury bills to 16 per cent.

accepted rate rose sharply to 15 1/2 per cent, suggesting a level of at least 18 1/2 per cent for the old Minimum Lending Rate.

Unfortunately, the take-up of the hills on Wednesday did not coincide with the refund of Value Added Tax as planned. The tax refunds did not appear until Thursday, leaving market conditions very short on Wednesday, adding to the upward pressure on call and seven-day money.

Wednesday was not a particularly happy day for the discount

shortage followed by Bank of England assistance by way of bill purchases within a range of 14 per cent to 15½ per cent, leaving the market very nervous and leading to suggestions that the authorities were failing to keep interest rates within a narrow band. On the same day came the news that two houses, Cate Ryder and Allen Harvey and Ross, are to merge came as a possible indication of future events given the fact that a period of rising interest rates is not the easiest time for the

## EQUITIES

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The list shows those of last year's announcements, except where the forthcoming board meetings (indicated thus\*) have been officially published. It should be emphasised that dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

Date	Announcement last year	Date	Announcement last year
*Anglo Amer. Inv. Fst. .... Oct. 8	Int. 280 cents	Hawth. (J.) .... Oct. 30	Int. 30
Associated Biscuit. .... Oct. 14	Int. 20	London Brick. .... Oct. 21	Int. 1.734
*Bank of Ireland. .... Nov. 5	Int. 8.0	London and Northern. .... Oct. 22	Int. 1.4
*Bajani ..... Oct. 8	Final 1.26	*Market and Spencer. .... Oct. 16	Int. 1.5
*Brit. Home Stores. .... Oct. 21	Int. 1.75	*Mellor. .... Nov. 23	Int. 4.2
Brooks Bond. .... Oct. 21	Final 2.655	*Methuen. .... Nov. 23	Int. 2.82
*Cape Inds. .... Oct. 6	Int. 3.3	*Mowlem (J.) .... Oct. 19	Int. 1.9
*Cassell. .... Oct. 28	Int. 2.0	*Peasey ..... Oct. 21	Final 2.5
*Costs Patens. .... Oct. 30	Int. 1.4	*Property. .... Oct. 30	Int. 0.6
*Currys ..... Oct. 12	Int. 1.5	Press (Wm.) ..... Oct. 30	Int. 4.0
*Debenhams. .... Oct. 16	Int. 2.0†	Read Intal. .... Oct. 28	Int. 0.8
*Dugart ..... Oct. 22	Int. nil	*Ricklews ..... Oct. 8	Int. nil
*Finlay (Jas.) .... Oct. 8	Int. 3	*Rogers Portland Cement. .... Oct. 5	Int. 2.2
*Fisgard and. .... Oct. 5	Int. 1.7	Sainsbury (J.) .... Nov. 5	Int. 4.5
*Nat. .... Oct. 21	Int. 5.0	Samuel ..... Nov. 5	Final 3.1
*Gill & Co. .... Oct. 21	Int. 5.0	*Prop. .... Nov. 5	Final 3.1
*Glasco ..... Oct. 12	Final 6.0	*Scot. Metropolitan Prop. .... Oct. 7	Final 2.0
Harrisons and Croftfield. .... Oct. 28	Int. 7.5	*Sears Hides. .... Oct. 6	Int. 0.7
*Harris Queensway. .... Oct. 7	Int. 4	*Stichell. .... Nov. 4	Int. 2.8
Hawker Siddeley. .... Oct. 22	Final 3.9	*Tazewell. .... Nov. 4	Int. 2.0
*Hiscock Johnson. .... Oct. 14	Int. 1.5	*Kayserly. .... Oct. 28	Int. 1.59

UPM ..... Oct. 20  
 \* Board meeting imminent. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

**CHRISTIE-TYLER** (manufacturer of furniture and upholstery)—Results for year to July 31 1981 reported September 8. Shareholders' funds, £5.53m (£5.19m); current assets, £17.41m (£17.6m); net current assets, £4.81m (£5.0m). Company's profits show chairman's emoluments reduced from £46,882 to £25,182. Historical pre-tax profits increased from £1,000 to £1,001 on a CCA basis. Meeting, Cardiff, October 21, at noon.

**GRESHAM INVESTMENT TRUST** (merchant banker)—Results for year to March 31 1981 reported September 2. Shareholders' funds, £13.07m (£11.67m); investments, £8.12m (£8.12m). Increase in share value, £1.51m (£133,000). Directors are confident, subject to unforeseen circumstances, that current year will again show a profit. Meeting: Gresham Street EC, October 22, noon.

**MOLYNX HOLDINGS** (hand tools and equipment manufacturer)—Results for year to August 31 1981 reported September 1. Shareholders' funds, £23.40 (£23,333 loss); turnover, £495,000 (£363,198); tax nil (£1,000). Directors are confident that 1982 will be a profitable year. Share value subsequently closed. Directors say little improvement in UK or overseas demand expected for remainder of year.

**ALVA INVESTMENT TRUST—Pre-tax profit for six months to August 31, 1981, £127,351 (£139,243); gross income £151,020 (£151,020); net income £116,982 (£117,213). (unfranked) £24,255 (£33,624); expenses £13,886 (£11,794); investments £4.15m (£3.27m), net asset value per 25p share (there are no prizes for shareholders) £1.15 (£1.00). Dividend 4.5p (some) last year's total was 10.5p.**

**HEBLEY MILLS** (manufacturer and distributor of wallcoverings)—Results for year to March 31 1981 reported September 8. Shareholders' funds

£3.25m (£4.56m); fixed assets, £1.65m (£1.33m); net current assets, £1.60m (£2.23m). Share value, £1.00. Meeting, Leicester, October 21, 10.30am.

**THE M&A INVESTMENT TRUST** (investment trust)—Results for year ended July 31, 1981 reported August 19. Investments at current value, £1.23m (£2.64m) at valuation. Shareholders' funds, £14.97m (£15.3m). Decrease in uninvested funds, £1,182,000 (£1,071,000). Meeting, 122 Leadenhall Street, EC, October 20, 11.15 am.

**BARON** (oilfield and engineering services)—Results for period from September 18 1980 to March 31 1981 reported September 30. Shareholders' funds, £1.71m (£1.71m). Share value, £1.71m including secured bank overdraft £328,000. Company incorporated on June 9 1980 to acquire 100% of the assets of Barons Ltd, a subsidiary of Rodon Group. Meeting: Winchester House, EC, October 29, noon.

**THE PROPERTY TRUST** (property investor and developer)—Results for the year to April 5 1981 reported September 17. Shareholders' funds, £1.71m (£1.71m); net current assets, £1.71m (£2,336m); investments £185,796 (assets £1,22m); decrease in uninvested funds, £1,032,000 (£1,032,000). Meeting: Conduit St, W1, October 21, noon.

**STOCKLAKE HOLDINGS**—Issue of 580-51 annual accounts will be delayed until November 1981. The company is late completion of the accounts of a subsidiary.

**HOWARD SHUTTERING (HOLDINGS)** (shuttering and shuttering contractor)—Results for year ended April 30 1981 reported August 12. Shareholders' funds, £1.00m (£1.00m); turnover, £985,800 (£328,535); increase in working capital £229,867 (£814,877). Meeting, London, October 23, 10.30 am.

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## OFFSHORE & OVERSEAS—contd

<b>OFFSHORE &amp; OVERSEAS—contd.</b>		<b>Guinness Mahon Ptd. Mrgs. (Guernsey)</b> PO Box 1268, St. Peter Port, Guernsey, 0481 25506. Int. Fund 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
For Civic Investments (Jersey) See <b>Investment Management</b>		<b>Nature Pacific Fund Mgmt.</b> 2110, Connaught Centre, Hong Kong Far East 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Carnhill</b> P.O. Box 157, St. Peter Port, Guernsey Int. Man. Fd. 128.00 260.00 —		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Corbasa International</b> 10, Boulevard Royal, Luxembourg Int. Fund 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Craigslawn Funded Int. Mrgs. (Jersey)</b> P.O. Box 195, St. Helier, Jersey. 0534 27561. Cif Fund Lym. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>DWS Deutsche Ges. F. Wertpapiere</b> Grundbesitzer 213, 6000 Frankfurt Invest. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Delta Group</b> P.O. Box 3012, Nassau, Bahamas Int. Inv. Sept. 29—183.20 334—015 London Agents: Kidwell Trust, Ltd. 01-625 8000		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Deutscher Investment-Trust</b> Deutsche 2568 Sherman 610 6000 Frankfurt Concepts 1920.86 21.49 11.20 Int. Investments 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Deutsche Internationaler Inv. Fd.</b> P.O. Box 157, St. Peter Port, Guernsey NAV Sept. 29—10529.0 30.88		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Duncan Lawrie Inv. Mgt. (Jersey)</b> 15-17, New St., St. Helier, Jersey 0534 73637 D.L. Portfolio 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Ersson &amp; Dudley Tst. Mgt. Lym.</b> P.O. Box 73, St. Helier, Jersey. 0534 77933 C.I.C.T.C. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
<b>Four Stars Association</b> 4 Four Stars Ltd. 01-588 7001 E.A. Income Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20		<b>Handlows Ptd. Mrgs. (C.I.) Ltd.</b> P.O. Box 84, Guernsey Invest. Mgmt. Fd. 1920.86 21.49 11.20 Price & Spec. 1920.86 21.49 11.20	
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EQUITIES									
Issue price	Amount paid up	Rate of interest	Dividend	1981	Stock	Dividend yield	P/E ratio	Time to maturity	Yield to maturity
				High	Low				
88	F.	14/6	8			St Martins	2%		
88	F.P.	18/6	25	24		Superstate Trust Ltd	24%		
88	F.P.	30/10	56/45	45		Jeans Eng.	45	53.75	1.7/10.8
100	F.P.	30/10	24	24		N. Lon. Private Health	24		
100	F.P.	30/10	102	97		Marine & Coast. St.	97		
100	F.P.	18/6	135	100		Le Newcourt Oil	100		
100	F.P.	18/6	148	148		Nippon Electric	148	10.25	2.8/1.8/7.7
100	F.P.	30/10	102	94		Precision Metals Ltd	94		
88	F.P.	18/6	14	10		Stewart Int. Works	11		
88	F.P.	22/6	120	100		Stechford Ref. & Inv	100	61.49	5.7/5.7/6.6
88	F.P.	16/10	92	75		St Thomas	80	16.25	2.7/5.2/6.6
112	F.P.	25/9	171	7		St John's & Ry. S.R.V.	185		
112	F.P.	17/6	15	6		Williams Systems	109		
						Gov. Rest. Div. Imp.	6		

## FIXED INTEREST STOCKS

Issue Price	Amount Paid	Latest Price	1981	Stock	Price	5-yr
			High Low			
45	F.P. 1	137	101	Armal Dist. Products 10 cv. 1n. 97	113	
100	F.P. 2	120	101	Birmingham Drop cap 350s	58 1/2	
100	F.P. 7/8	112 1/2	98	Charlotte 7 1/2 Conv. Prf.	97	
100	F.P. 24/9	101	98 1/2	Eaton Super Water 10 Prf. 1980	97 1/2	
100	F.P. 18/8	101	97 1/2	Heckman 10 cv. 1n. In. 2000-5	96 1/2	
100	F.P. 1	99 1/2	96	Hawley Leisure 12 1/2 Cum. Prf.	96	
80 1/2	F.P. 23/11	285 1/2	300	Inco 15 1/2 In. 2000	96 1/2	
100	F.P. 19/8	101	98 1/2	Intech 10 cv. 1n. In. 1980-5	96 1/2	
100	F.P. 1	100 1/2	98	Nat wide Bds Society 14 1/2 Bds (80)	96	
100	F.P. 1	99 1/2	98 1/2	" Do " 12 1/2 Bds (80)	96	
100	F.P. 21/9	101	98 1/2	Northern Bds Corp. 16 1/2 Bds (80)	96 1/2	
100	F.P. 21/9	101	95 1/2	Stearns Credit 5 1/2 Conv. Rad. Prf.	96 1/2	
87.50	F.P. 1	24 1/2	24 1/2	Do. Do. Warrants	81 1/2	
87.50	F.P. 11/8	100 1/2	98 1/2	Univ. Microstr 22 1/2 In. 2000	81 1/2	
100	F.P. 24/9	100 1/2	98 1/2	W. Robbins 10 cv. Cum. Rad. Prf. 95-96	81 1/2	
100	F.P. 24/9	101	100 1/2	York Waterworks 10 1/2 Rad. Prf. 95	100 1/2	

## "RIGHTS" OFFERS

issue price	any units available	Latest Renunc. date	1981		Stock	Change from 1-8-81	1-8-81	
			High	Low				
60	F.P.	9/24/81	1510	84	62	Amal-Dish Products	64	+1
10	NH	9/10/81	111	13pm	1	Vinco	1pm	
275	F.P.	9/10/81	259		225	IBC	225	-10
275	F.P.	9/17/81	212	182	104	BP	225	+16
76	NH	12/17/81	29pm		50	Johnson Oil	29	
23	F.P.	9/10/81	710	2pm	20	H.A.T. Group	26	-1
90	NH	9/10/81	710	4pm	50	Heleman	4pm	+26
12 1/2	F.P.	9/10/81	30 1/2		23	Plantar	26	
131	F.P.	9/28/81	97	178	108	Lidexpro	108	+6
110	F.P.	7/8/81	101	135	105	Ward	105	-5
57	F.P.	2/18/81	210	60	39	Lane (Perco)	47	
107	F.P.	8/10/81	81	181	98	Morgan Crucible	100	-7
121	F.P.	9/10/81	156	104	104	Pancardental	120	-10
112	F.P.	8/5/81	611	125	103	Trusthouse Forb	112	
350	F.P.	9/9/81	910	550	352	Udd. Scientific	445	+29
250	NH	9/9/81	52pm		27pm	Vinco's United	27pm	

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## THE POUND SPOT AND FORWARD

Oct 2	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1,817.0-1,821.0	1,818.0-1,820.0	0.05-0.15c dis	-0.86	0.40-0.52dis	-1.03
Canada	2,187.0-2,217.0	2,189.0-2,218.0	0.85-0.75c dis	3.29	1.85-1.85dis	-3.20
Northing.	4.61-4.74	4.61-4.74	0.00-0.00	0.00	0.00-0.00	0.00
Belgium	65.15-65.45	65.15-65.25	60-70c	-11.44	125-145c	-7.92
Denmark	13.09-13.39	13.11-13.13	2-2 1/2c	1.67	45-55c	-1.46
France	1,143.0-1,159.0	1,144.0-1,157.0	0.40-0.35p dis	4.32	21-25c	4.56
Germany	116.75-119.75	117.00-117.50	75-445c dis	-26.61	175-775	-16.20
Spain	173.50-176.75	173.70-174.00	5-30c dis	-1.21	90-90c	-1.72
Italy	11.65-11.75	11.65-11.75	11-14p pm	1.32	11-14p	1.32
Norway	10.65-10.82	10.67-10.69	2-1 1/2p pm	2.39	87-73c	7.30
Sweden	10.00-10.12	10.00-10.01	14-15c dis	-17.88	24-26dis	-10.19
Switzerland	10.07-10.26	10.08-10.10	10-10 1/2p pm	9.31	80-83c	8.93
Austria	29.10-29.50	29.12-29.18	11-15c	3.70	21-24p	3.80
Switzerland	3.51-3.61	3.51-3.52	11-15c	5.11	47-44p	5.25

## THE DOLLAR SPOT AND FORWARD

Oct 2	Day's spread	Close	One month	p.a.	Three months	p.a.
UK†	1.8170-1.8410	1.8180-1.8200	0.05-0.15 dis	-0.66	0.42-0.52dis	1.03
Italy†	1.8745-1.5940	1.8800-1.5940	0.72-0.82 pm	5.05	1.25-1.00 pm	2.82
Canada	1.8170-1.8410	1.8180-1.8200	0.05-0.15 dis	-0.66	0.42-0.52dis	1.03
Belgium	2.5325-2.5850	2.5350-2.5400	0.88-0.78 pm	3.92	3.10-3.00 pm	4.81
Denmark	3.70-37.87	37.51-37.53	30-40c	-11.22	60c dis	-6.96
France	7.1800-7.2000	7.2200-7.2250	0.35-0.30 pm	4.84	1.15-1.10 pm	5.45
Portugal	34.64-34.80	34.60-34.65	45-275c	-27.77	80c dis	-14.88
Spain	95.90-98.00	95.55-95.65	par-100c	-0.53	15-13c	-1.05
Sweden	1.7170-1.7175	1.7175-1.7175	1.00-0.40 pm	3.27	6.40-0.00 pm	4.23
Norway	5.8600-5.8880	5.8750-5.8740	1.80-1.40pm	3.27	6.40-0.00 pm	4.23
Finland	5.4700-5.5200	5.5025-5.5075	7-77c	-18.10	11-11c	-8.82
Switzerland	1.8170-1.8410	1.8180-1.8200	0.05-0.15 dis	-0.66	0.42-0.52dis	1.03
Japan	230.20-232.25	232.05-232.15	2.00-1.85 pm	9.95	9.95-10.80 pm	10.12
Australia	16.00-16.12	16.01-16.02	1.00-0.70 pm	4.33	2.17-1.71 pm	4.87
South Africa	1.8170-1.8410	1.8180-1.8200	0.05-0.15 dis	-0.66	0.42-0.52dis	1.03
U.K.†	1.8170-1.8410	1.8180-1.8200	0.05-0.15 dis	-0.66	0.42-0.52dis	1.03

**GOLD**[illegible]

## OTHER CURRENCIES

Oct. 2	3	5	6	Note Rates
Argentina Pazo.	10.644-10.664	1.5671-5.637	Austria	29.30-29.60
Australian Dollar.	1.5900-1.5940	0.8725-0.8740	Belgium	74.90-75.50
Bahian Dollar.	1.777-1.786	0.8817-0.8830	Denmark	16.10-16.20
Finland Markka.	8.078-8.101	0.9445-0.9475	France	10.02-10.17
Greek Drachma.	10.181-10.335	58.45-56.56	Germany	1.174-1.22
Hong Kong Dollar	9.055-10.35	5.95-5.95	Italy	2120-2180
Iran Rial.	145.50	80.25	Japan	4.64-4.67
Kuwaiti Dinar.	0.515-0.525	0.889-0.885	Netherlands.	1.60-1.61
London Pound.	10.158-10.25	0.889-0.885	Norway	10.10-10.60
Malaysian Dollar.	4.2225-4.3325	2.112-2.1190	Portugal	116-135
Manila Peso.	1.777-1.786	0.8817-0.8830	Spain	16.10-16.20
Saudi Arab. Riyal	6.22-6.22	3.1125-3.2225	Sweden	10.10-10.25
Singapore Dollar.	3.8925-3.8925	2.112-2.1160	Switzerland	5.621-5.571
Taiwan Dollar	1.777-1.786	0.8817-0.8830	U.S. Dollar	100.00-100.00
U.A.E. Dirham.	6.70-6.76	3.6700-3.5750	Yugoslavia.	791-82

**EURO-CURRENCY INTEREST RATES** (Market closing Rates)

Oct. 2	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss
Short term	16-16½	16½-16¾	18-19	12½-12¾	
7 days' notice	16½-16¾	16½-16¾	18½-19	12¾-13	7½
Month	16½-16¾	16½-17	19-19½	12¾-13	10
Three months	16½-17	17½-18	19½-20	12¾-13	11
Six months	17-17½	17½-18½	20½-20½	12¾-13	11½
One Year	16½-16¾	17½-17¾	19½-20	12¾-13	10

As an \$ (closing rates in Singapore): one-month 163-165 per cent; three-months 171-172 per cent; six-months 177-178 per cent.

Long-term Eurodollar two years 17-17 1/4 per cent; three years 17-17 1/4 per cent; five years 17 1/2-17 3/4 per cent; London dollar certificates of deposit 17 1/2-17 3/4 per cent; one year 17-17 1/2 per cent.

**FT LONDON INTERBANK FIXING (11.00 a.m.)**

3 months U.S. dollars		6 months U.S. dollars	
bid 17 7/8	offer 18	bid 18 1/8	offer 18 1/2

## LONDON MONEY RATES

Oct. 2, 1951	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Authority negotiable bonds	Finance House Deposits	Company Deposits
Overnight	—	11-16 1/2	13 1/2, 16 1/2	—	—	15 1/2-16 1/2
1 day notice	—	—	16 1/2-16 3/4	—	—	—
3 day notice	—	—	16 1/2-16 3/4	—	—	—
One month	15 1/2-16 1/2	15 1/2, 16 1/4	16 1/2	17-16 1/2	16 1/2	16-16 1/2
Two months	16 1/2-16 1/2	16 1/2, 16 1/4	16 1/2	17-16 1/2	16 1/2	16 1/2
Three months	16 1/2-16 1/2	16 1/2, 17	17	17-16 1/2	17	17 1/4
Six months	16 1/2-16 1/2	16 1/2, 17 1/2	17 1/2	17-16 1/2	17 1/2	—
Nine months	16 1/2-16 1/2	16 1/2-16 1/2	16 1/2	16 1/2-16 1/2	16 1/2	—
One year	16 1/2	16 1/2-16 1/2	16 1/2	16 1/2-16 1/2	16 1/2	—
Two years	—	—	16 1/2	—	—	—

**Local authorities and finance houses:** seven days' notice; others seven days' fixed. Long-term local authority mortgage rates nominally three years 10% per cent; four years 10% per cent; five years 10% per cent. \*Bank bills rates in table are buying rates for prime paper. Buying rates for four-month bank bills 15 $\frac{1}{2}$ % per cent; four-month Treasury bills 16% per cent. Approximate selling rate for one-month Treasury bill 15 $\frac{1}{2}$ %-15% per cent; one-month bank bills 16% per cent; three months 16% per cent. Approximate selling rate for one-month bank bills 16 $\frac{1}{2}$ %-16% per cent; two months 15-16% per cent; three months 15% per cent; one-month Treasury bills 16% per cent; two months 16% per cent; three months 16% per cent.

**Finance House Base Rates** (published by the Finance Houses Association) 14 $\frac{1}{2}$  per cent from October 1, 1961.

**Clearing Bank Deposit Rates** for sums at seven days' notice 14 $\frac{1}{2}$  per cent; 1 month 15 per cent; 3 months 15 $\frac{1}{2}$

### CURRENCY RATES

Oct. 2	Bank rate %	Special Drawing Rights	European Currency
Sterling		0.629555	0.527673
U.S. dollar		1.15247	1.08422
Canadian \$	19.60	1.38792	1.30390
Austria Sch.	5 1/2	1.58409	1.45325
Belgian F.	12	2.76181	2.65561
Danish K.	11	2.53236	2.46158
French F.	7 1/2	2.64261	2.47625
German M.	9	2.52497	2.45318
Irish P.	9 1/2	2.63120	2.53718
Lira	19	1.35012	1.27125
Netherlands	5 1/2	2.67488	2.50345
Portuguese	12	2.76181	2.65561
Spanish Ptas.	8	110.233	103.838
Swedish Kr.	12	6.41926	6.01728
Swiss F.	7 1/2	2.33061	2.09290
Crutch Dr'ch.	20 1/2		61.3930

Carwood Holdings N.V.	P.O. Box 556, Deth Holland	Envalda(OFFICE) 052418	1-026 241
Petroleum 15, Willemstad, Curacao.			
Delta Service Ind. 2500 St. George			
St. Vincent, St. Vincent			
Euro Hops	NSB040 2126		9.52
S.E. Europe Obligations S.A.			
Av. de la République 10, 1000 Brussels			
U.S. Trust, 100 St. Marks Place, London Wall			
Europe-Obligations	US240-66	-004	1.88
Eurojet Investments Ltd.			
Admiral St, Douglas, Isle of Man.			
U.K. Finance Corp. 25 Abchurch Lane			
Europe Int. Fund	75.00	100.00	0727 33166
F. & C Mgmt. Ltd. Int. Advisors			
1 Laurence Poultry Hill, EC4A			
London, England	US240-66		
F. & C Mgmt. Ltd. Int. Advisors			
1 Laurence Poultry Hill, EC4A			
London, England	US240-66		
Fidelity International Ltd.			
P.O. Box 670, Hamilton, Bermuda			
Av. de la République 10, 1000 Brussels			
U.S. Trust, 100 St. Marks Place, London Wall			
Europe-Obligations	US240-66		
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Europe-Obligations	US240-66		
Av. de la République 10, 1000 Brussels			

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STEWART INFORMATION SYSTEMS      SOUTHERN BUREAU OF INVESTIGATION, INC.



<b>Minerals</b>					
A. Brown	62	14	Lead, Otago	16	
BBC Int.	7	14	Vickers	60	
Beecham	11	1	Woolworths	5	
Babcock	9	1			
Barclays Bank	36	9	Landrogs	23	Property
Beecham	11	1	Legal & Gen.	20	Brit. Land
Bell	10	1	Service	10	Cap. Countries
Blue Circle	36	1	Ship	10	Cap. Secs.
Boots	18	1	Loft	5	M&P
Borden	19	1	London Brick	16	Pearlay
B.P. Petroleum	2	1	Midland Bank	25	Samuel Pears
B.A.T.	26	1	M&M	11	Town & City
Brown (J.)	5	1	Mills & Son	11	
Burton Opt.	12	1	Midland Bank	25	
Cadbury	8	1	N.E.I.	1	Oil
Cardinals	5	1	N.W. West. Bank	9	Brit. Petroleum
Chadburns	7	1	P. & O. Ind.	10	Barren Oil
Cadellars	10	1	Pack	26	Charterist.
Dunlop	71	1	R.H.M.	6	NCA
Esale Star	25	1	State Gov. Ind.	1	Shell
Esale Star	25	1	Devel. Intl.	26	Transcontinental
Gen. Accident	38	1	Seas	5	Ultramar
Gen. Electric	38	1	Tesco	5	
Grand Mill	15	1	Town EMI	1	Mines
G.L.S. 'A'	64	1	Trust Houses	25	Charity Cons
G.L.S. 'B'	64	1	Vale Invest.	21	Cons. Gold
G.N.K.	12	1	Turner & Newall	10	Rio T. Zinc
Hankin Sidd	20	1	Unilever	5	

